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EXCISE TAXES AS A SUBSTITUTE FOR TARIFFS

Excise taxes to provide protection for domestic industries were introduced in the Revenue act of 1932. The list of commodities subject to such taxes was considerably extended in 1934 and 1936, notwithstanding the more liberal trade policies of the Administration. Protective excise taxes are of two types, those on the importation and those on the domestic processing of goods of foreign origin. From the protectionist point of view, excise taxes possess certain important technical advantages over tariffs, but in general they are very similar both in character and effects. Their principal significance lies in the extent to which they open the way to familiar protectionist abuses.

Since 1934 the United States has been engaged through the Trade Agreements program in lowering tariff duties. Agreements have been concluded with sixteen different countries; and American tariff rates have been lowered on four hundred and sixty-two commodities. In addition, existing rates on a hundred other commodities have been "bound," *i.e.,* the United States has promised to make no increase in the rates now prevailing. All this is well known and is a source of satisfaction to students of the tariff. What is not generally known is that new trade barriers have been imposed in a variety of ways while this very process of liberating international trade has been going on.

One example of such restrictive practices is found in our present system of import quotas, the best known and most important of which is on sugar. Primarily as a result of the quota, domestic sugar producers have in recent years enjoyed greater protection than was ever before given them. When the present Administration came into office the price of raw sugar in the American market was two cents per pound higher than in the world market by reason of the duty on Cuban sugar of this amount imposed by the Smoot-Hawley act in 1930. This was the highest effective protection ever to have been given sugar in the United States. This rate was lowered to 1.5 cents in June, 1934, and to .9 cent by the Trade Agreement with Cuba the following September. Yet in spite of this nominal retreat from the protective principle, the protection actually given domestic sugar producers averaged 2.25½ cents per pound in 1935 and 2.61¼ cents per pound in 1936.[1] This was primarily because the quota on sugar forced the price of sugar in the American market above the world level and held it there. In other words, sugar has received greater protection under this Administration than was ever given it by a Republican Congress.

[1] Based on average week-end figures of New York and London sugar prices calculated on a net, f.o.b. Cuba basis. Data from *The International Sugar Journal.*

Another instance of increased trade barriers is found in the gentlemen's agreements entered into since early 1934 by domestic producers and Japanese exporters. These agreements provide for limiting the volume of certain exports from Japan to the United States. Some of them have been negotiated with the aid of the United States government and others directly by the industries concerned.

A third example of the means whereby trade barriers have been increased in recent years is found in the use of excise taxes not for the primary purpose of raising revenue but with a view to discriminating against goods of foreign origin. The following pages are devoted to a discussion of the last of these new instruments of protection.

Nature and Extent of Protective Excise Taxes

Excise taxes designed to restrict the import of foreign merchandise, *i.e.*, as a substitute for tariffs, are of two types: those levied on the importation of goods without a corresponding tax on competing domestic products, and those levied on the processing of materials which are produced here either in negligible amounts or not at all.[2] These will be referred to as import and processing excise taxes respectively. Taxes of the latter type have been used to protect domestic products which, though not identical, compete with the imported articles, as in the case of the tax on coconut oil to protect butter. Import excise taxes were originally applied chiefly to goods of types produced in this country, but have since been applied to many commodities not produced here.

To all intents and purposes, import excise taxes are, with one important exception, identical with tariffs except in name. They are "administered by the Treasury Department and are levied, assessed, collected, and paid in the same manner as duties imposed by the Tariff act of 1930."[3] The important exception is that, unlike tariffs, they cannot be changed in accordance with the flexible tariff provisions of the Tariff act.[4] Import excise taxes are, however, treated the same as tariffs for purposes of the Trade Agreements act.[5] Excise taxes of the processing type are administered by the Bureau of Internal Revenue. They are not, as are import excise taxes, subject to changes under the Trade Agreements act. Apart from these differences, processing excise taxes are similar to import excise taxes. They also may not be altered through the flexible provisions of the Tariff act. Taxes collected on materials later exported are, in both cases, subject to

[2] The discussion in this section is based on United States Tariff Commission, *Imports, Exports, Domestic Production, and Prices (Petroleum, Coal, Lumber, Copper, Certain Oils and Fats) Together with Excise Taxes Collected Thereon. Cf.* especially pp. iii-iv.

[3] U.S.T.C., *ibid.*, p. iii.

[4] Public No. 154, 72nd Congress, Sec. 601(b)(2).

[5] Public No. 316, 73rd Congress, Sec. 350(c).

refunds corresponding to drawbacks, and both types of taxes may, in trade agreements, be bound against increases.

Excise taxes of the import type have been much more extensively used than those of the processing type. All of the earlier protective excise taxes—namely, those on petroleum and petroleum products, coal, lumber, and copper and materials containing copper, were of the import type. When excise taxes were later extended to a long list of vegetable, fish, and animal oils, the import type was again chiefly employed.[6] Processing excise taxes are now imposed only on coconut oil, palm oil,[7] palm kernel oils, and mixtures and manufactures thereof. Despite the relatively limited extent of the processing excise taxes, they are, from a revenue standpoint, much more important than import excise taxes. The taxes collected on coconut oil alone have amounted to over three-quarters of the revenues obtained from all the others put together.

There is strong pressure in certain quarters for a still wider use of excise taxes as a substitute for protective tariffs. Several dozen bills were introduced into the last session of Congress providing either for changes in existing excise taxes or for additional legislation of this character. Aside from proposed changes in existing excise taxes, these bills called for excise taxes on asphalt; eggs and egg products; tapioca, sago, cassava and derivatives thereof; sodium sulphate; wood pulp, pulpwood, and manufactures thereof; fish and marine animal scrap and meal; and babassu and cottonseed oils.[8]

Certain of the practical advantages of an excise tax as a protective device are apparent from the previous description. Once enacted, it is less likely to be tampered with than a tariff, since it may not be reduced by the operation of the flexible tariff provisions or even, if it is of the processing type, in the course of Trade Agreements negotiations. Its greatest practical advantage, however, turns on a matter of tactics in securing its enactment into law.[9] In the first place, to provide increased protection through customs duties would raise the whole question of tariff revision. In all probability, it would either be impossible to secure the desired adjustment at all, or impossible to get it without general logrolling that would lead to increased duties on a wide range of commodities. Aside from other disadvantages, this would interfere with the passage of the contemplated law. By the use of excise taxes,

[6] In addition to the commodities previously mentioned, the following articles are now subject to import excise taxes: whale oil (except sperm oil), fish oil (except cod oil, cod-liver oil, and halibut-liver oil), and marine oil; tallow; inedible animal oils, fats and greases; inedible sesame oil, sunflower oil, rapeseed oil, kapok oil, hempseed oil, perilla oil, linseed oil; hempseed, perilla seed, rapeseed, sesame seed and kapok seed; and articles containing ten per cent or more by weight of these products.

[7] Palm oil used in the manufacture of tin plate is exempt from this tax.

[8] U.S.T.C., *op. cit.*, p. iv, n. 3.

[9] *Cf.* Herbert M. Bratter, "Disguised Tariffs," *The Washington Post*, August 11, 1937.

a general revision of the tariff can be avoided and the same result accomplished without the public's being more than dimly aware—either before or after—of the protectionist character of the taxes. In the second place, since protective excise taxes are embodied in a revenue act, they are practically secure against a presidential veto. They constitute a minor feature of an important measure and, as recent experience has clearly demonstrated, the president is not likely to reject the entire bill no matter how distasteful this particular feature may be to him. The influence of these considerations is apparent in the story of the introduction and extension of excise taxes in this country.

Development of Protective Excise Taxes

Excise taxes on imports were introduced in 1932 as a means of providing protection for domestic industries. In many lines output was greatly reduced, stocks were accumulating, unemployment had increased, and prices were low. All this was part of the general decline in business activity throughout this country and the world. The first thought of leaders in industry and in Congress was the tariff, even where the industries in question were on an export basis. Duties had been increased by the Smoot-Hawley act only two years before and partly because of the recentness of this revision and partly because of its general unpopularity, the time was not opportune for securing further tariff legislation. Certain influential senators, among them Barkley representing coal interests, Huey Long representing oil, and Ashurst, Vandenberg and Wheeler representing copper, thereupon undertook to introduce excise taxes on the importation of these products into the pending Revenue act.[10] This was done by logrolling tactics and the Act together with the excise tax provisions was passed.[11] These taxes were originally to have expired June 30, 1934, but have been renewed three times, the most recent legislation having extended them to 1939.[12]

Except for an unimportant conditional duty on coal, moderate duties on

[10] Senator La Follette declared that the responsibility for writing protective excise taxes into the Revenue act of 1932, so far as the Senate Finance Committee was concerned, rested squarely with the Republican members—*Congressional Record,* vol. 75, p. 10751 (May 30, 1932). Nevertheless Democrats were conspicuous in securing the adoption of the proposals. Efforts to extend the favors still further were defeated, perhaps because additional support was not required.—*Ibid.,* pp. 11300-306.

[11] *Cf. Congressional Record,* vol. 75, pp. 10756 *et seq.* (May 20, 1932). The *Hearings on the Revenue Act of 1932* contain no hint of these excise taxes. They appear to have been originated after the date of the hearings.

[12] The tax on coal of ten cents per hundred pounds does not apply to countries which import more coal from the United States than they export to this country or where treaty provisions with the United States otherwise provide. As a result of various official decisions the practical application of this tax was limited to anthracite coal from Russia and coke from Germany. By a commercial agreement with Russia announced in August, 1937, Russia is now exempted from the tax but will voluntarily limit exports to approximately the amount shipped in recent years—Department of State *Press Release,* August 6, 1937, p. 2.

certain types of lumber, and duties on manufactures of copper, all these commodities were on the free list and our exports of them had for years been greatly in excess of imports. The hope of aiding recovery by restricting imports was obviously illusory and was probably recognized as such by Congress, except possibly with respect to copper and petroleum. In the case of petroleum, a show of plausibility was afforded by the fact that at this time attempts were being made by certain states and by some of the larger oil companies to "stabilize" the industry by limiting output. They argued that restriction of imports was necessary to prevent the program from being broken down by the import of oil from Mexico and Venezuela.

The excise taxes were set with no regard for the traditional principle of equalizing foreign and domestic costs of production. Thus a short time before, the Tariff Commission had calculated the differences in cost of foreign and domestic copper at from .49 cent to 1.42 cents per pound.[13] Nevertheless, the excise tax was set at four cents. The Commission had recently reported that no increase in the duty of $1.00 per thousand board feet on softwood lumber was warranted.[14] Yet the excise tax was set at $3.00. The unreasonableness of this procedure did not entirely escape notice. Senator Walsh of Massachusetts scored the inconsistency of the senators who a short time before had voted to entrust determination of rate adjustments to the Tariff Commission, but were now fixing rates themselves with utter disregard of the Commission's recommendations.[15]

Upon the imposition of the excise tax on lumber, Canada retaliated by reviving an excise tax on rough lumber imported from the United States. This action rendered several species of rough lumber from Canada subject to the United States tariff of $1.00 per thousand feet, board measure, with the result that this lumber, which had previously been admitted free, was now subjected to a combined tariff and tax totaling $4.00 per thousand feet. Both the tariff and the excise tax were cut in half by the Trade Agreement with Canada, which became effective January 1, 1936.

The next important step in the development of excise taxes came in the Revenue act of 1934. Trade in oils and fats in this country was depressed in 1933 and 1934. Duties had been imposed on most of these products by the Tariff act of 1930; in some cases duties had been increased; and in a few cases commodities had been transferred to the dutiable from the free list. Although imports had declined, they were still substantial; and certain domestic interests, therefore, sought to have them limited by the use of excise taxes. The case for restricting the importation of oils was strength-

[13] United States Tariff Commission, *Report to the United States Senate on Copper* (Report no. 29, 1932), p. 17.

[14] United States Tariff Commission, *Report to the President on Lumber* (Report no. 32, 1932), p. 4.

[15] *Congressional Record*, vol. 75, p. 10899 (May 23, 1932).

ened by the fact that the Agricultural Adjustment act was attempting to limit farm production. It was repeatedly urged that it was both futile and unfair to restrict the domestic supply without also limiting the supply coming from abroad. Senator Gore of Oklahoma declared that this was the one argument for the proposal.[16]

The dairy interests were the most active group seeking enactment of the excise taxes, but they were supported by producers of cottonseed oil, soybean oil, and fish oil and others.[17] The pressure from these groups was strong enough to secure enactment of the excise taxes on a considerable list of oils and fats.[18] Unlike the excise taxes imposed two years before, no limitation was placed upon the duration of these taxes. They were supplemented in 1935 by compensatory taxes on imports of products containing oils and fats, and in 1936 by the addition of a number of other items of a similar character.[19]

At the time of the 1934 Act, legislators were confronted with a difficult problem. They were most concerned with restricting imports of coconut oil, but these came chiefly from the Philippines and an import excise tax seemed out of place since the Philippines are not foreign territory. The problem was solved by imposing a tax on the first domestic processing of coconut oil and certain other vegetable oils. An additional tax was imposed on oil extracted from copra not produced in the Philippines or insular possessions of the United States. These taxes were designed to give Philippine producers an advantage over foreign producers and American producers of competing oils an advantage over both.[20]

President Roosevelt addressed a letter to the Senate in which he called attention to the unreasonableness of imposing this tax hard on the heels of the Philippine Independence act which had guaranteed the Philippines free entry for a specified volume of coconut oil. He pointed out that this was directly contrary to the intent expressed in the Independence act which the Philippine legislature had ratified in good faith.[21] The tax was not eliminated as a result of this pressure, but the Act was amended to provide that taxes collected on coconut oil of Philippine origin should be turned

[16] *Hearings, Revenue Act of 1934,* Senate Committee on Finance, 73rd Congress, 2nd Session, p. 415. *Cf. Hearings, Revenue Revision 1934,* Committee on Ways and Means, 73rd Congress, 2nd Session, pp. 580, 599-602, 608-12.

[17] The taxes on oils and fats were strongly opposed by soap manufacturers and other industrial users, less opposition than might be expected coming from manufacturers of butter substitutes. A suggested compromise exempting inedible fats and oils was spurned by domestic agricultural interests who declared that with the development of chemistry the non-food uses for their products might become very important—*Hearings,* Committee on Finance, p. 320.

[18] Public No. 216, 73rd Congress, Secs. 601(c)(8) and 602½.

[19] Public No. 407, 74th Congress, Sec. 402 and Public No. 740, 74th Congress, Sec. 701.

[20] *Cf.* United States Tariff Commission, Report no. 118, *United States-Philippine Trade,* pp. 86-87.

[21] *Congressional Record,* vol. 78, p. 9682 (May 28, 1934).

tion of many commodities within the oil group, among them hempseed,

over to the Treasury of the Philippine Islands upon condition that no subsidy had been paid to producers of copra, coconut oil, or allied products.[22]

Among the oils subjected to import excise taxes in the Revenue act of 1936 were sesame oil and sunflower oil. The Act of 1934 had imposed processing taxes on these oils but these taxes had been evaded by importing the oils in a form that required no further processing. Upon being subjected to a tax of the import type they were relieved of the processing tax.[23]

Trade under the Protective Excise Taxes

The position of the protected domestic industries has improved greatly since the imposition of protective excise taxes. Inasmuch, however, as this recovery is primarily of a cyclical character and is no greater than in many lines not so protected, it can scarcely be attributed to these taxes. Other extraneous influences have been of importance in certain cases, most notably droughts and crop restriction under the Agricultural Adjustment program in the case of oils and fats. Furthermore, with few exceptions, imports were so small relative to domestic production that they could have had very little effect thereon.

The effect of excise taxes upon imports has been by no means uniform with respect either to different commodity groups or to individual commodities within particular groups.[24] Imports of coal do not seem to have been appreciably affected by the excise tax. They have fluctuated, it is true, but they have done so without relation to the taxes imposed. The excise tax seems to have reduced imports of most softwoods from Canada, but has had little or no effect on imports of hardwoods or of high-grade Canadian pine. The explanation of this is partly that the taxes and duties amounted to a heavy charge on low-priced lumber but were a much smaller percentage of the price of more expensive grades and partly that domestic supplies of the latter woods are small relative to demand. The excise tax of two and a half cents per gallon of imported gasoline has virtually stopped importation, whereas imports of crude petroleum and fuel oil, which represented much the most important part of our imports, were only moderately checked by the excise tax of a half cent a gallon.

Excise taxes appear to have prohibited or greatly curtailed the importa-

[22] Public No. 216, 73rd Congress, Sec. 602½. The legality of these provisions was affirmed by the United States Supreme Court—Cincinnati Soap Co. *v.* United States, 301 U.S. 308 (1937).

[23] Public No. 740, 74th Congress, Sec. 702(a). The 1934 law did not limit the processing tax imposed on sesame oil. By the 1936 act the tax, now of the import type, was limited to inedible sesame oil. The effect of this was to exempt edible sesame oil from the excise tax, though it continued to be subject to a tariff of three cents per pound. This is the only case in which a protective excise tax was removed, although the rate of the tax has been reduced or bound in a few cases.

[24] Pertinent statistical data for all but the most recent months are given in great detail in U.S.T.C., *Imports, Exports, etc.*

anthracite rose relative to the wholesale price of domestic anthracite, but

tion of many commodities within the oil group, among them hempseed, kapok seed, perilla seed, rapeseed and oils made from these seeds, sesame seed and inedible sesame oil, fish oils, and inedible tallow. The excise taxes bear even more heavily on the seeds mentioned above than on the oils extracted from them. The contrary is true of the customs duties on these seeds and oils.[25] The importation of most other oils and fats does not seem to have been greatly hampered by excise taxes. The importation of certain untaxed oils was encouraged as a result of the restriction of imports of oils and fats by excise taxes. Among such commodities were babassu nuts, perilla oil, tallow, and other oils of minor importance obtained from the forests of Latin America. As a result, tallow and perilla oil were also subjected to excise taxes by the Revenue act of 1936, and bills have been introduced into Congress calling for excise taxes on babassu oil and certain other vegetable oils.

Excise taxes appear to have produced certain changes, also, in our export trade. Canadian exporters of lumber who found the American market shut by these new taxes turned to the Orient and the Antipodes. This shift was influenced to some extent by the preferences secured in the Ottawa Agreements.[26] In any case, the American lumber producers probably lost in the foreign market whatever they may have gained, as a result of the excise taxes, in the domestic market. Similarly in the case of petroleum, Venezuelan crude oil which is excluded from the United States now goes to supply European markets which formerly imported from the United States. The result has been a change in the pattern of trade channels. Previous to the imposition of excise taxes, petroleum and petroleum products moved from Venezuela to ports on the Atlantic coast and exports from the United States moved from gulf ports to Europe. Now, to a considerably greater extent, gulf oil moves to the Atlantic coast and Venezuelan oil to Europe.

Prices

Imports of coal subject to excise taxes have consisted chiefly of anthracite from Russia and small amounts of coke from Germany. Foreign anthracite enters principally at New England ports and constitutes from nine to eleven per cent of shipments of domestic anthracite to that region.[27] While the price of coal rose after 1932, this was primarily a cyclical phenomenon. After 1933 the estimated average wholesale price, tax paid, of imported

[25] It is customary, as is well known, to give greater protection to finished products than to raw materials used in their manufacture.

[26] Aside from direct preferences granted in certain markets, the ability of Canadian lumber manufacturers to compete on low-grade lumber in the Orient is said to have been increased because of the advantage they possessed in England and elsewhere on trade in the better grades of lumber.

[27] U.S.T.C., *op. cit.,* p. 25. The discussion in the present section is based chiefly upon tables given in this report.

anthracite rose relative to the wholesale price of domestic anthracite, but this cannot be regarded as significant, since the tax tended to encourage imports of the more expensive grades of coal.

It is probable that the excise taxes on cabinet woods which are not produced in this country have largely been passed on to domestic consumers in the form of higher prices. Price data fail to indicate any substantial differences in the price movements of the various domestic softwoods following the imposition of excise taxes. Certain softwoods continued to come in despite the excise tax and it is probable that in these cases the tax was largely shifted to Canadian producers in the form of lower prices.

Price movements of copper following the imposition of excise taxes are of particular interest. Prior to 1932 the price of copper in London was higher than the price in New York by approximately the cost of transportation between the two markets. From the middle of 1932 to the end of 1936 the price in London, with few exceptions, was lower than the price in New York, in some months by over two cents a pound.[28] This is the more surprising in view of the fact that the United States has been a net exporter of copper. The higher price in this country would appear to be a further indication of the extreme degree of control exercised in the copper industry; there can be little doubt that the excise taxes made it easier to maintain the United States price out of line with the world price of copper.

No noticeable effects on the price of petroleum can be traced to the excise tax but this was to be expected in view of the size of the market and the variety of influences to which it is subject. It is probable that the incidence of protective excise taxes collected on petroleum has been chiefly on oil producers in Mexico and Venezuela. The leading producers in these countries are American and Dutch companies.

Data for the prices of oils and fats indicate very clearly that excise taxes contributed to a substantial increase in prices in the American market.[29] They show a sharp increase in the prices of particular commodities following the levy of excise taxes in 1934 and again in 1936 when the list of excise taxes was widened. These increases, however, were by no means confined to the taxed items. When allowance is made for the taxes collected on imported fats and oils, the three categories, domestic, imported subject to excise taxes, and imported not subject to excise taxes, are roughly comparable on a price basis. The prices of domestic fats and oils seem to have risen most, prices of imports not subject to excise taxes slightly less, and prices (ex-tax) of imports subject to excise taxes least. Doubtless the prices of all these oils would have risen if no excise taxes had been im-

[28] U.S.T.C., *ibid.*, p. 65 and Tables E and F, p. 69. This compares with an excise tax on copper imports of four cents per pound. In recent months the London price has been slightly higher than the price in New York.

[29] U.S.T.C., *ibid.*, Table G, p. 104.

posed, but it seems probable that the rise in prices of the domestic oils is partly attributable to the protection thus afforded. It seems likely that demand was diverted, to some extent, from the taxed oils to oils still untaxed, imports of which, as shown above, increased noticeably. Since these oils are minor trade items with a rather narrow market, the change in demand contributed to the upward price movements of untaxed oils while retarding the rise in the prices (ex-tax) of taxed oils.

The revenues obtained from protective excise taxes are shown in Table I which also affords comparison with revenues from customs duties. These figures bring out the predominance, from a revenue standpoint, of the processing taxes on certain vegetable oils, chiefly coconut oil and palm oil, and the minor importance of all other excise taxes except those on petroleum and petroleum products. Since the greater part of receipts from taxes on fats and oils were collected for the account of the Philippine Treasury, the net revenue yielded by these taxes was not large. One reason for the meagerness of revenues from protective excise taxes in general is that in many cases the rates were placed so high as to be prohibitive, with the result that the taxes produce no income. This is of no great concern to the protected interests, but it signifies that a very effective argument against the abolition or modification of the taxes—namely, that they should be retained for revenue purposes—has scant validity.[30]

The Case against Protective Excise Taxes

Earlier discussion has shown that in some cases excise taxes served to stifle imports or to alter the channels of trade and in other cases had little if any effect. They changed domestic price relationships in some instances and in others left them substantially unaffected. Their influence on domestic production was occasionally apparent, but in general was far less than had been promised. In a word, the effects of protective excise taxes appear to have been the same as of protective tariffs. This was to be expected since the two are, in all essentials, the same. It follows from this similarity that the economic objections to protective tariffs are fully applicable to protective excise taxes.

It is obvious that the use of excise taxes as a substitute for tariffs is absolutely contrary to the Administration's policy of reducing trade barriers. This use of excise taxes did not, it is true, originate with the present Administration. Nevertheless, this Administration has been powerless to prevent either the perpetuation of protective excise taxes already in existence or the addition of new taxes of the same type.[31] Thus far the resort

[30] It seems probable that the use of excise taxes as here described may be as undesirable from the standpoint of public finance as from that of international trade. Lack of space—and of competence in that field—prevents discussion of this aspect of the problem.

[31] The opposition of the Administration has, however, undoubtedly limited the number of such additions.

TABLE I.—REVENUE FROM PROTECTIVE EXCISE TAXES, 1932–1936
(in dollars)

	1932 (June 20–Dec. 31)	1933	1934	1935	1936[5]
Import excise taxes					
Petroleum and products[1]	4,306,053	8,351,440	8,052,810	7,351,227	7,902,518
Coal and related fuels	589,823	1,341,324	978,293	801,026	968,916
Lumber[2]	326,136	1,026,293	806,433	1,233,245	945,950
Copper[3]	193,880	453,316	1,018,175	1,213,115	1,246,922
Oils and fats (animal, fish, and vegetable)			1,651	625,429	726,067
Total import excise tax	5,415,892	11,172,373	10,857,362	11,224,042	11,790,373
Processing taxes[4]					
Oils and fats (vegetable)			10,112,931	29,124,012	28,840,083
Total protective excise taxes	5,415,892	11,172,373	20,970,293	40,348,054	40,630,456
Account Philippines			7,640,381	17,888,903	17,411,102
Account United States			13,329,912	22,459,151	23,220,074
Total U. S. customs revenues (including import excise taxes but excluding processing taxes)		283,680,953	301,167,849	357,240,988	400,558,000

[1] These totals would be somewhat reduced by allowance for drawbacks. The net figures are:

1933	1934	1935	1936
$8,058,435	$7,477,268	$6,884,803	$7,757,088

[2] These totals would be slightly reduced by allowance for drawbacks.

[3] A large proportion of these receipts was paid out again in the form of drawbacks, a negligible part of which was on account of general tariff duties and the remainder on account of import excise taxes. The net figures are:

1933	1934	1935	1936
$189,405	$392,380	$150,566	$486,689

[4] Effective May 10, 1934.

[5] Preliminary.

Source: U. S. T. C., *Imports, Exports, etc.* (revised), pp. v, 9, 45, and 68.

to protective excise taxes has been a minor, though by no means negligible, factor in our foreign trade, but proposals for new legislation are evidence enough of the growing importance of the device and afford ample ground for fearing the use that may be made of it in the future. While these taxes have not succeeded in offsetting the beneficial effects of the Trade Agreements program, they are already recognized as a handy instrument for undoing the good that has been done.

Even on protectionist grounds, however, most of the excise taxes are without justification. They were originally applied because the industries concerned were suffering from the depression. Recovery has proceeded far enough in all lines to remove this ground for maintaining the taxes. Inas-

TABLE II.—REVENUE FROM PROTECTIVE EXCISE TAXES, 1932–1936
(in per cent)

	1932 (June 21–Dec. 31)	1933	1934	1935	1936
Import excise taxes					
Petroleum and products	79.51	74.75	38.40	18.22	19.45
Coal and related fuels	10.89	12.00	4.66	1.99	2.38
Lumber	6.02	9.19	3.85	3.05	2.33
Copper	3.58	4.06	4.86	3.01	3.07
Oils and fats (animal, fish, and vegetable)				1.55	1.79
Total import excise tax	100.00	100.00	51.77	27.82	29.02
Processing taxes					
Oils and fats (vegetable)			48.23	72.18	70.98
Total protective excise taxes	100.00	100.00	100.00	100.00	100.00
Account Philippines			36.44	44.34	42.85
Account United States			63.56	55.66	57.15

much as petroleum, coal, lumber, and copper are on an export basis, the industries as a whole cannot be expected to be aided by restrictions on imports. The taxes on oils and fats have actually given protection to domestic industries, but this has involved the taxation, indirectly, of necessities, such as food, soap, and the like, and of industrial raw materials. Rates have, moreover, frequently been high—50 to 75 per cent—on an *ad valorem* basis. Although high rates on necessities and industrial raw materials are not new in our tariff history, they are at least inconsistent with the traditional bases of our tariff policy.

These considerations are reënforced by the fact that in the case of at least three of the commodity groups the effect of protection, so far as it is effective at all, must be to hasten the exhaustion of a natural resource. This is particularly true of petroleum. Unrestricted admission of the foreign fuel oils, which are obtained from low-grade crude, would facilitate the application of the higher-grade domestic crude oil to more essential uses.

The excise tax on copper has been strongly opposed by independent copper fabricators in this country. Their argument is that about 80 per cent of copper producing capacity in the United States is controlled by three large companies and these three companies control approximately 50 per cent of copper fabricating capacity. In case of a shortage these companies supply their own needs first so that the independent fabricators bear the brunt of the shortage and are prevented by the four cent tax from drawing on foreign sources of supply. The position of the independents has been stated as follows:

It is lawful for these three large companies to own the copper mines which they own; it is lawful for them to own the copper fabricating capacity which they own; and it is lawful for them to supply their own fabricating capacity first. *It is the tax, and the tax alone, which gives them the power of a monopoly, and for that reason, if for no other reason, the tax should now be abolished.*[32]

It has been alleged that excise taxes on imported commodities are less apt than tariffs to become permanent. Nothing in our experience, however, lends support to this view. Except for the exempting of edible sesame oil,[33] not one of the excise taxes thus far levied has been repealed or allowed to expire when it was supposed to; on the contrary, many additions to the list have been made.[34] Moreover, the fact that these taxes cannot be lowered through the operation of the flexible provisions of the Tariff act removes a means that otherwise could have led to reductions in many of the rates, which are clearly excessive from the standpoint of equalizing foreign and domestic costs of production. It is to be feared that this view of the temporary character of protective excise taxes is little more than a pious wish.

The gravest objection to using excise taxes to regulate foreign trade is the manner in which it opens the door to extreme abuse. So long as excise taxes can be employed to discriminate against goods of foreign origin, the way is clear to a resort to all the familiar tariff practices. Protective excise taxes are objectionable, from an economic standpoint, for precisely the same reasons that protective tariffs are objectionable. In addition, *our unfamiliarity with this new instrument of commercial policy, the concealed, under-cover manner of its use, and the difficulty of resisting it render it more insidious and more dangerous, at the present time, than the protective tariff.*

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[32] General Cable Corporation, *Brief against Renewing Tax of 4c a Pound on Copper,* February 18, 1937, p. 18. It is reported that in December, 1936, two independent copper fabricators were obliged to refuse orders amounting to nearly 20,000 tons of fabricated copper because of inability to secure supplies of raw copper. One of these fabricators was the company from whose brief the above quotation was taken—*The Nation,* July 10, 1937. p. 41.

[33] *Cf. supra,* n. 23.

[34] Certain of the rates were, however, reduced as a result of Trade Agreements.

CAPACITY TO PRODUCE, CAPACITY TO CONSUME, CAPACITY TO PAY DEBTS

Characteristic of post-war economics is an avowal of public purpose as a goal toward which the theories are directed, and of experiment as the means of realizing that purpose. Investigations start with the assumption of a "disease" of capitalism, then follow with a comparison of remedies proposed elsewhere, and end with the author's proposed remedy and experiment designed to reach the goal of an ideal democracy. Moulton invites large business establishments to quit their policy of maintaining prices and to join with the Brookings Institution in making experiments of reducing prices in order that the abandoned goal of classical economics may be reached by benefiting consumers who are "the whole of society." Irving Fisher looked forward to an experiment announced in 1932 by the Bank of Sweden of raising and stabilizing domestic prices which he thought would remedy "the private profits disease." Reports of progress are being made on the Swedish experiment. The contrasted theories started several years ago from opposite poles of the same credit-debit relation, Moulton with credits, Fisher with debits. Moulton's credit turns out to play a passive rôle, consistent with the classical economics of production and consumption. The active rôle of credit is played by central banks of discount, and turns on "commitments" made by everybody for the unknown future for which statistics are not yet available for investigation.

If one compares the two volumes, *Formation of Capital* and *Income and Economic Progress,*[1] written by Harold G. Moulton, with the volume on *Booms and Depressions,* published in 1932 by Irving Fisher, or the volume on general monetary and credit theory, published in 1936 by John Maynard Keynes,[2] one seems to be living in two different economic worlds. Yet they are the same world tied together as tight as a credit and its equal debit. Moulton has little to say about debt. His modern industry is conducted on credit. Fisher and Keynes are concerned with the debts which create equal credits.

The difference in emphasis leads to opposite conclusions on public policy. Moulton's policy looks to gradual price reductions over a period of time. Fisher and Keynes look to day-by-day emergencies that require even reversals of policy in preventing at one time a general fall of prices, and, at another time, a general rise of prices.

Each diverges from classical and neo-classical theories in several respects. First, is an avowed ethical purpose typical of post-war reconstruction of economic theory, where such purposes had been disavowed as unscientific. These avowals lead to proposed future experiments designed to test the workability of the purposes. The investigations, which prepare for the experiments, follow the example of the science of medicine, if that may be called a science which directs its investigations toward the optimum of human health and longevity. Moulton makes what he calls "diagnosis of

[1] Concluding volumes of the series, *America's Capacity to Produce, America's Capacity to Consume, The Formation of Capital, Income and Economic Progress,* The Brookings Institution (1934, 1935).

[2] Irving Fisher, *Booms and Depressions* (1932). John Maynard Keynes, *The General Theory of Employment, Interest and Money* (1936).

certain failures of capitalism," while Fisher's is a diagnosis of the same capitalism as the "private profits disease," or the "debt disease." Each investigator then makes comparison of several proposed remedies in order to make selection, with his own modifications, of what he deems the best promising remedy for the disease. The remedy is avowedly experimental. Moulton looks forward to future experiments of voluntary price-reducing by individual firms; and Fisher, in 1932, looked forward to an experiment then recently announced by the Bank of Sweden in adopting a general domestic price-stabilization policy.[3]

The latter experiment, in comparison with a similar experiment by the Bank of England, has later been reported upon by Mr. Bertil Ohlin; and important detailed investigations of the Swedish experiment were afterwards made by Mr. Richard A. Lester, of Princeton University, and by Mr. Brinley Thomas, of the London School of Economics.[4]

Another divergence is from the classical assumption of continuous full employment of all the factors contributing to the production of wealth. Upon such a simplified assumption it had followed that equilibrium of all the factors among themselves would automatically be maintained by rising prices of those factors temporarily scarce and falling prices of those temporarily over-supplied. The only activity that would need to be considered in human transactions would be that of substitution—substituting factors whose prices were falling for those whose prices were relatively rising, thus restoring equilibrium without leaving any of them unemployed. But when the assumption of continuous full employment is tested by investigations which show that all of the factors are sometimes idle or slowed down at the same time, then the investigator formulates another hypothesis diverging from, but not eliminating, the principle of substitution.

The extensive and important investigations made by the Brookings Institution lead Moulton to diverge from another simplified classical assumption, that of individual action, and to introduce the complexities of collective action controlling more or less the mobility and substitutions of individual action. He says:

> It is evident from the analysis which we have been making that the system of wealth production and distribution has not been working in the manner that had been expected. The method of continuously expanding markets through a persistent reduction of prices as efficiency increases has in considerable measure ceased to operate. Price stabilization policies have in many lines come to stand in the way of a dissemination of the benefits ofprogress, and have therefore tended

[3] *Cf.* Moulton, *Income and Economic Progress,* 15 ff., 87 ff.; Fisher, *Booms and Depressions,* 3 ff., 111 ff., 146, 158.

[4] Bertil Ohlin, "Can the Gold Block Learn from the Sterling Block's Experience?" *Index,* Bulletin of Svenska Handelsbanken, March, 1936. Richard A. Lester, "Sweden's Experience with 'Managed Money,'" Supplement to *Index,* January, 1937; Brinley Thomas, *Monetary Policy and Crises: A Study of Swedish Experience,* 1936.

to nullify the results of technological advance. This unexpected outcome of the evolution of the capitalistic system obviously requires explanation. . . . Interferences with the competitive price system have occurred as a result of at least three major types of business organization. The first is the unified monopoly of industrial combination, by means of which the prices of particular commodities are controlled by a single management. The second is the cartel, a "collective monopoly," under which there is group control of production with a view to stabilizing prices in a given industry. The third is the trade association, which seeks usually through informal coöperation, to stabilize certain conditions within particular industries, without interfering with the control of production. Such associations are of various types and the degree to which they may influence prices varies widely. Unified monopolies, private and public, exist in all countries; the cartel is found chiefly in Europe; and the trade association is essentially an American development which has flowered in the post-war period.[5]

To which he adds, in other places, the collective action of labor organizations to the disadvantage of "unorganized workers, clerical and professional classes, the farm population, etc."[6] He might properly have added, still further, the collective action, or the "pressure groups" in politics, of these previously unorganized classes.

These two divergencies from classical doctrines, based, as they are, on investigations of collective action and simultaneous unemployment, are naturally enough not given weight by such critics of Moulton as adhere to the assumptions of mobility, individual action and automatic equilibrium.[7]

But there is another divergence from classical doctrine to which Moulton had brilliantly contributed as early as the year 1918,[8] and which he incorporates in these volumes. The classical economists, followed by the communists, tacitly eliminated money and credit when they treated gold and silver like other commodities whose value was determined in the past by the labor costs of production. They were concerned with the increasing technological efficiency of the capitalistic system, and had no place for either the legal tender quality of metallic or paper money or the part played by "credit currency." When John Stuart Mill displaced labor-cost by money-cost he explained credit as optimism or pessimism supplemented by the misuse of accommodation bills at that time. But modern business is conducted on the bookkeeping of credit and debit. A world war is financed by credit. Moulton corrects the classical doctrine by introducing the "credit structure" into the "formation of capital."[9]

Yet his concept of credit still adheres to the classical elimination of credit in that it plays what is really a passive rôle in the economic world. The tech-

[5] *Income and Economic Progress,* 133, 134.

[6] *Ibid.,* 2, 3, 112-14, 124-25.

[7] *Cf.* Raymond T. Bye, "Capital Formation and Inequality," *Am. Econ. Rev.,* December, 1936.

[8] "Commercial Banking and Capital Formation," *Jour. Pol. Econ.,* May, June, July, November, 1918.

[9] *The Formation of Capital,* 75-160.

nological and marketing processes play the active rôle. The active rôle of credit, forced to the front of economic policy by the impounding of gold, is regulated by governments through central banks of issue and discount, through open-market operations, through raising and lowering the foreign-exchange rates, through expanding and contracting note issues, through raising and lowering the price of gold bullion as proposed by Fisher in 1912, through raising and lowering, in America since 1935, the reserve requirements of commercial banks, and, more recently, by an equalization arrangement of currencies between the governments of America, France and England. This regulation of the active rôle is set forth, in part, by Ohlin, in the article referred to. He says, contrary to Moulton's price-reducing policy:

> Sweden does not desire a heavy rise in prices, as it would probably be accompanied by a condition tantamount to an exaggerated boom. Under such circumstances the Bank of Sweden would undoubtedly lower the sterling rate in order to weaken the price-raising tendencies emanating from outside. . . . If, on the other hand, a substantial fall of the price level were to occur in England, the Bank of Sweden might be expected to raise the sterling rate in order to protect Sweden from an undesirable fall in prices. Sweden will maintain her currency's firm association with the £-sterling only so long as England's monetary policy keeps a course that is satisfactory to Swedish economic life. . . . The primary aim of Swedish monetary policy is to make prices attain such a level as will enable production and trade at home to prosper. The stable sterling rate is important, it is true, but it is only of secondary importance. In the event of Sweden's being unable to achieve both these objects simultaneously and compelled to give up one of them, the stability of the £-sterling rate would have to go. . . . The linking of the krona to sterling is due mainly to the fact that England's monetary policy aims at preventing further deflation and bringing about a moderate rise in wholesale prices. This is exactly what Sweden had already at an early stage set up as her goal, it being fully realized that this was the only policy that could rapidly create the conditions essential for an economic revival. What could be more natural than that Sweden should maintain a fixed sterling rate so long as England pursues a similar policy? It affords Swedish foreign trade the advantage of a stabilized quotation for that exchange in which the bulk of its transactions are settled.

Moulton's injection of "the credit structure" between producers and consumers reveals a discrepancy concealed in the theory of savings and consumption. For the isolated individual, who is both producer and consumer, savings are increased only by reducing consumption. As one increases, the other diminishes. But Moulton's investigations show that with the prevalence of credit, both savings and consumption increase and diminish together. The explanation, in part, is that savings are invested in "ownership" rather than in production. He says:

> At the present stage in the economic evolution of the United States, the problem of balance between consumption and saving is thus entirely different from what it was in earlier times. Instead of scarcity of funds for the needs of

business enterprise, there tends to be an excessive supply of available investment money, which is productive not of new capital goods but of financial maladjustments. The primary need at this stage in our economic history is a larger flow of funds through consumptive channels rather than more abundant savings.

He goes on to specify the diversion of excess savings:

What became of money savings which did not eventuate in new plant and equipment? The answer is that they were utilized in purchasing the ownership (stock) of existing corporations, thereby bidding up the prices of outstanding securities. Instead of producing new plant and equipment they raised the prices of that already built. The process is identical with that of commercial inflation. As the prices of securities rise a greater volume of savings is required to purchase a given number of shares of stock, just as when the prices of commodities rise a greater amount of expenditure is necessary to purchase the same volume of goods.[10]

What Moulton says above as to "purchasing ownership" is as true regarding commodities as it is regarding plant and equipment. Prices in both cases are paid, not for physical products, but for their ownership. This significance of acquisition and alienation of ownership was concealed in a double meaning of the traditional term "commodity," which means both a physical product and the ownership of the product. Before either production or consumption can be carried on, lawful ownership must be acquired. The acquisition of ownership signifies a debt incurred in consideration of alienation of ownership by the other party to the transaction. The other party acquires a credit, which is simply ownership of the debt.

Moulton's "excess savings," then, as is true of all savings, are "invested," first, in ownership of bankers' debts. They are then reinvested in two directions which may not be contemporaneous. "In the prosperity period of the twenties," he says, excess savings were invested in the ownership of plant and equipment, thus raising the prices of securities. But in that period "no appreciable rise in commodity prices occurred at any time. In fact, the level of wholesale prices was slightly higher in 1924 than it was in 1929."[11] Contrasted with this period were the preceding short periods, 1919-20 and 1923-24, when excess savings were invested in the ownership of commodities, thus raising commodity prices.

We know the communistic solution of this diversion of excess savings into ownership instead of production. The wealthier classes, who invest excess savings in ownership, are expropriated and the state itself does the saving by determining the quantity of output and fixing the selling prices to consumers at a high enough level, and the buying prices paid to the same individuals as producers at a low enough level to yield forced savings, by reducing consumption, which the state then converts directly into capital formation and commodity production. Something similar is oc-

[10] *The Formation of Capital,* 160, 151.
[11] *The Formation of Capital,* 115.

curring in fascistic and nazistic countries, while in all of them forced savings go increasingly into militaristic capital formation. Other countries increasingly obtain forced savings by taxation, and corporations must maintain selling prices high enough and buying prices low enough to force and extract savings from others for payment of their own costs, debts, taxes, extensions and dividends.

While excess savings can be made to disappear in the last extreme case of communistic ownership in control of both prices and output, yet in parliamentary countries, with their freedom of savings, of consumption and of investment, they are the source of the equilibrium waves of prosperity and depression which are sought to be prevented by credit regulation over the entire field of free enterprise.

The passive rôle of credit is a passive rôle of the equal debt. The "flow of funds" to finance commodities, plant and equipment is an equal flow of debt owed by the bank customers who get the funds. It is not a "flow"; it is an active joint creation by contract of credits and debts to be liquidated by payments.

The passive rôle of credit and debt is a passive rôle of even savings, consumption and investment. These are passive in that they are the statistical compilations made possible *after* the event, whereas the active rôle is the events themselves which are the preceding decisions made at successive points of time to save, to consume, to invest. The statistician has nothing to go upon until the overt act has occurred. But the decisions themselves, whether deliberate or impetuous, are preceded by a brief or prolonged period of uncertainty, of weighing alternatives, of hesitation and doubt, of persuasion or even pressure by others. They are made in view of an immediate or remote future which may be vivid or dim.

Savings are not hoarded, except perhaps as metallic or paper money. They are credits granted to debtors. If the savings are deposited in a bank, the banker is the debtor. The bank is not a "manufactory of credit,"[12] an analogy descended from classical theories of production. The banker is a negotiator of credit currency in the form of his own bank debts. And he does the negotiating in the process of determining, with his customers, the limits in amount and duration of their debts which thereupon he actually buys by credits and sells by debits to their accounts.

The failure to take account of these legal creditor-debtor contracts is expressed by Keynes as the "optical illusion" that credit at the bank is somehow a one-sided affair in which the creditor "deposits" something for safe keeping.[13] But his deposit is a two-sided transaction of buyer and seller, made possible by the legal invention of negotiability of debts. This

[12] *Cf.* Moulton on "How the commercial banking system manufactures credit," by which is meant credit currency, or deposit currency. ***Formation of Capital,*** 77.

[13] Keynes, 81.

two-sidedness, says Keynes, is true whether the activity is that of spending or of saving. We may add, even the pocket-money or lawful "money in circulation," which is carried about, is obtained from a bank and returned to a bank only because somebody, say an employer, can draw it out on payday. And the employer is often worried as to how he will get that money when his debts to wage-earners come due. So that 100 per cent of all money is directly or indirectly bank credit.

These and others similar are the activity meanings of savings, of investment, and of, not consumption but purchases for consumption. Forecasts of time are of their essence. To appreciate them the economist cannot rely on statistics or logical analysis of what has happened in the past. He must have imagination and sympathy which will place him in advance of available statistics at the time-points when decision by banks and customers must be made that commit them to the unknown future. They are not, indeed, forgotten or overlooked. They are simply neglected because capacity to produce and capacity to consume are not linked up with capacity to pay.

This lack of imagination relegates to a passive rôle even profit itself. Although profit is recognized as the dynamic factor that stimulates initiative in capitalistic economics, yet the statistical limits of investigation reduce it to a passive rôle, along with interest, wages and rent. The rate of profit is calculated by Moulton from the statistics as a ratio to "capitalization," and it ranges (before corporation tax) from a high of 9.5 per cent in 1923 to a low of *minus* 4.7 per cent in 1932.[14] But the supporting statistics are compiled *after* the end of the year or dividend period, when all of the transactions of the preceding period have become known. This is not the problem that confronts the profit-seeker. He must make his decisions *before* there are any statistics. His decisions take the form of "commitments," emphasized often by business men as neglected by economists, neglected because there are as yet no statistics, at the time of commitment, of what will happen in the future.

Commitments, analyzed in meticulous detail as to the essentials, are legal obligations of two kinds, debts of payment and debts of performance. As a buyer the business man commits himself to future payment for services performed or to be performed; as a seller he is committed to future performance of delivery of a product manufactured or to be manufactured. Reciprocally, the party with whom he negotiates commits himself to delivery of the product as a seller and to payment for the product as a buyer. The debts of payment are bought by a banker, if approved by him, who thus commits himself to furnishing "cash," which is deposit-currency, in the shape of his own debts payable to sellers or their assignees on demand. All of them are tied together by their bookkeeping records of credit and debit, which are evidence of their legal commitments.

[14] *Income and Economic Progress*, 144, 149.

In addition, with modern central bank systems, the individual bankers are subject to a central regulation according to the various working rules above mentioned as pertaining to the active rôle of credit.

Bringing together those several considerations in the time-sequence of looking to the future, there is, first, the universal business practice of accepting bank checks in liquidation of debts which, when drawn by solvent depositors on solvent banks, is a custom practically as compulsory as the acceptance of legal tender metallic or paper money in a suit at law; second, the working rules of the central bank, known directly in advance by the commercial bankers who are governed by them, and thus indirectly known by their customers; third, the "state of confidence," which, if properly interpreted and measured, is the velocity of debits to individual accounts; fourth, the credit and debit commitments of these bankers and their customers, which are the active process of credit formation; fifth, the alienation and acquisition, by operation of law, of ownership of whatever securities or commodities are bought and sold; sixth, the physical control and labor management of materials in process of manufacture, made possible by the preceding transfers of ownership.

Within this changing frame of reference the profit-seeker must, in each transaction, decide whether to buy or not to buy, how much or how little to buy and the prices, whether to sell or not and how much, whether to incur debts of payment or performance and how much, whether to grant or not grant credit and how much to purchasers or to borrowers at the bank, and so on. Each commitment binds him to the exigencies and risks of the future for which there are no statistics. There are forecasts, guesses, probabilities, hunches, intuitions, based indeed on past experience or habit. There are the day-to-day market reports, the state of confidence, or lack of confidence, in his own mind or derived from what he gets out of the minds of others. There are the professional forecasters, who may or may not know much about his particular business. When he buys materials or labor from day to day he commits himself to maintaining or enlarging output which may or may not be sold at profitable prices. When he borrows and mortgages his business on long-term investments in plant-extensions, in equipment, in inventories, he must look ahead into the diminishingly vivid future as to prices and quantities which purchasers will pay for materials and labor. He may find, when the statistics are eventually compiled, that he has made serious mistakes in his commitments. He has been accumulating debts, short-term and long-term, for purposes of production, and he runs the further risks of the entire credit structure as to whether he can or cannot convert his assets into cash when the debts come due, or whether the cash will purchase more or less of the commodities which he must buy. The academic mind, the statistician, can then tell him what he ought to have done. He ought to have reduced prices, increased his output, benefited

humanity. But if the academician or statistician had been "up against it" when the decisions and commitments were made and the responsibilities were assumed he probably would now be bankrupt too.

Still further, what the profit-seeker has to go upon in making his commitments for the future is not even Moulton's above-mentioned ratio of profits to "capitalization," but is the much narrower ratio of profits to immediate or nearby sales of his product at current prices. These are statistically compiled by years for all manufacturing establishments as "gross sales," meaning gross-sales-income or expected assets.

And profit itself must be reduced to "pure profit" by deducting from Moulton's calculation of "aggregate net profit," not only intercorporate dividends but also taxes, interest, and any other liabilities. The profit-seeker is always "trading on the equity," whether of securities or commodities, which is the narrow margin for profit after deducting all debts and liabilities, whether debts to the state (taxes), or any other debts or obligations, known usually as "overhead costs" to be added to operating costs which are also debts. Calculated in this way, where Moulton arrives, for the year 1923, at a rate of 9.5 per cent on "capitalization," I arrive at the much narrower profit margin of only 1.9 per cent as the ratio of "pure profit" to gross sales. Where he calculates, for the year 1925, a rate of net profit to capitalization at 9 per cent, I find a profit-loss on gross sales of one-half of one per cent (—0.5). Again, where he finds, for 1929, a ratio of 9.2 per cent profit, I find only 3 per cent profit on sales; and so on for the various years from 1922 to 1929, where we use the same official *Statistics of Income* of the Treasury Department.[15]

The explanation of these discrepancies is in the "rate of turnover," which is the ratio of gross sales to nominal capitalization. If the par "capital" is $200 million and the gross sales a billion dollars during the year then a margin of 2 per cent on sales would yield 10 per cent on capital stock, or a loss on sales might mean a "profitless prosperity," made palatable to stockholders by "window dressing," or by the "profit cushion" of dividends deferred from prosperous times. This cushion, however, did not come into the official statistics of income until after the year 1920.[16]

But even these statistics of gross sales are not known until they are compiled *after* the end of the preceding fiscal period. Consequently the transac-

[15] See Moulton's *Income and Economic Progress,* 144, 149, and Commons, *Institutional Economics,* 563, 564. In the *American Economic Review,* June, 1935, I arrived at similar conclusions on Lewis Corey's *Decline of American Capitalism,* where substantially Moulton's ratios of net profit to capitalization were used as the basis of the communistic argument. Moulton's calculations are pertinent enough for his purpose of indicating roughly that "it is a fundamental principle of business operation that *added volume* [gross sales] of business ordinarily *pays heavily.*" My purpose is to indicate how it is that statistical computations reduce "profit" to a passive concept because they cannot include the unknown future which the profit-seeker, that is, anybody who "trades on the equity," is "up against."

[16] See Commons, *Institutional Economics,* 582 ff.

tions themselves, which are the commitments to the unknown future, are doubly concealed by the statistical totals of all establishments merged into a grand total for the nation, and by the lesser totals for each establishment not known until its accounts of the preceding period are audited. It is in the millions of these particular transactions that the profit motive, which creates credit currency, is actively at work.

These calculations are usually treated as risk. But, again, even the computations of risk are statistically possible only after the risks have been taken. They can then be merged into an average risk of some kind which is good enough for insurable risks. But each transaction is its own particular risk. It differs from every other risk. The profit-seeker is not up against the risks of other people or even against his own risks in other transactions. In order to work out a theory of risk with mathematical accuracy the individual is "supposed" to know the future. This is good enough for logical analysis but is remote from reality.

Indeed, risk-taking in each transaction is the focus of a theory of credit currency. It is the strategic factor that makes a theory of credit regulation prior in time and first in importance. Ricardo's quantity theory of money did not apply to credit formation. It applied to metallic and paper money. It placed causation in the past, whereas in human affairs causation is risk-taking for the future. The expanding or contracting quantity of money has, indeed, something to do with the "state of confidence" regarding the future; but even more influential, in recent times, are the working rules of central banks. Too easily have monetary theorists incorporated bank debts into Ricardo's quantity theory of money. But, as is well known and often set forth since the bimetallic controversy, the volume of bank debts expands and contracts independently of and far more excessively than the volume of metallic or paper money. Its "volume" is not properly a "quantity" as contemplated in the usual theories of demand and supply—it is the activity of bargaining which creates, liquidates and recreates purchasing power. The usual statistics of total bank deposits make them appear like an expanding and contracting quantity, similar to quantities of metallic or paper money, and thus conceal the fact that, unlike money, they are destroyed every few days or weeks and then new ones may or may not be negotiated to take their place as purchasing power, determined by the expectations of profit.

It is this active rôle of the profit motive in creating and recreating the credit instruments of its own purchasing power that distinguishes the policies of the price-stabilization school of economists and marks the difference between the seemingly two worlds of the classical tradition and the debt-paying tradition. Credit regulation in America has already reached into almost every detail of the private banking business. No other business man is entitled to complain more strenuously than the banker against gov-

ernmental interference. This public control is coming to be more or less guided with reference to its effects on the general levels of security and commodity prices. In Sweden it is avowedly guided by its effects on domestic commodity prices.

The Swedish policy continues to be experimental and will doubtless require modifications with further experience. But, as far as it goes, it shows that domestic price-stabilization is administratively feasible, not because Sweden is small and separate from international price movements, but because the government's central bank has begun to guide its policy upon theories of credit currency.

These theories began with the older economists, Wicksell in 1899, and then Davidson and Cassel, who, however, retained vestiges of the traditional theories. But, eventually, at the hands of the younger economists, Myrdahl, Lindahl and Ohlin,[17] it emerged as a pure profit theory of credit negotiations. The practical men in charge of the central bank, as is usually the case, took over piecemeal the theories as a series of emergency measures in order to meet new conditions confronting them. They made stabilization of consumers' retail prices their goal, thus permitting wholesale prices to rise gradually during the present emergency, while the cost of living remained "practically stationary."

During the two years after the abandonment, in 1931, of the gold standard, the purpose of the experiment in gradually raising the wholesale price level was not accomplished, for various reasons which Ohlin mentions. But after the United States left the former gold standard, beginning with June, 1933, and continuing to the same period in 1935, industrial production in Great Britain increased 19½ per cent and in Sweden 38½ per cent; but in the gold standard countries of France and Holland production decreased respectively 17 and 5½ per cent. These results were induced by the movement of the wholesale price level which had risen, at the end of 1935, about 7 per cent in Great Britain and Sweden but had fallen 30 per cent in France and to a lesser extent in other gold countries. Retail prices and the cost of living continued to fall in the gold countries. As to foreign trade, the chief difference between the sterling and gold countries "is that the former have had to ship abroad a relatively larger quantity of goods without being paid any more for them." Ohlin concluded, in effect, that the general price-raising policy of credit control is strategic and that the rate of production is complementary.

Ohlin's correlation of prices and output is comparable to ratios derived from statistics cited by Moulton for the United States.[18] In the prosperity period, 1924 to 1929, when stock prices were rising inordinately, commodity prices fell about 2 per cent, yet the output of consumption goods

[17] *Cf.* Lester and Thomas, *op. cit.*

[18] *Formation of Capital,* 115, 46, 193; *Income and Economic Progress,* 182.

increased about 14 per cent and the output of capital goods increased about 16 per cent. Conversely, in the preceding period, 1922 to 1924, when commodity prices rose about 1½ per cent, the output of both consumption goods and capital goods increased about 20 per cent. And in the succeeding period, 1929 to 1932, when stock prices collapsed and the commodity price level fell about 30 per cent, the output of consumption goods declined about 50 per cent and the output of capital goods declined about 60 per cent.

From these statistics for America it is difficult to decide which is the strategic factor, whether credit or production, because no conscious experiment was made to control either of them with reference to prices. Moulton makes note that in periods of recovery the increase in volume of output is more significant and important than the rise of prices. Such a conclusion is the foundation of the communistic policy of controlling and rationing output, as well as of those who look to non-credit factors. But in free countries the theory that general price stabilization or general price-raising through credit regulation is the strategic factor, and the desired increase of output is complementary, can be validated only by experiments which follow the adoption of that policy.

Here the time sequence and its accompanying theory that cause precedes effect are irrelevant, because the adoption and publicity of such a policy leads private enterprise to anticipate it by increasing output in view of the expected carrying out of the policy of a general rise or stabilization of prices. Lester notes this principle in the special case where "moral suasion" induces the private banks to restrict the expansion of credit even though expansion might be immediately profitable to them. If so, then other private enterprises which negotiate with the banks would also anticipate the positive acts of the central bank in preventing an exaggerated boom, although it might be unprofitable to them individually to restrict output at that time. It is a special case of the risks of futurity in human affairs, and whether it operates, or to what extent it operates, can be discovered only after the experiment itself has been made.

Even so, these statistics and correlations are derived from what happened in the past. They could not be known for sure at the time when policies were decided upon and commitments were made for the future, either by governments or individuals. Investigations of past experience and past experiments are of course common-sense methods of predicting the future. But the future still remains uncertain. Its uncertainty is the field of credit currency, distinguished from the field of metallic or paper money.

A further assumption follows from the passive rôle of credit and debt, the tacit assumption of a constant or stable purchasing power of money or credit. Since credit is always present in modern business calculations it cannot be excluded. It can be eliminated hypothetically by the familiar

device of "supposing" that its influence is "constant." This was the classical method, often employed by Ricardo, and the very proper method in reaching the "simplified assumptions" of major premises in all deductive reasoning. The consequence, if left at that, is an unreal world. The purpose of experiment is often to put back into the equation the omitted variable, which, in turn, has itself been simplified by supposing that all factors other than itself are constant.

Connected with the passive rôle of credit is indifference to the active human effort of meeting emergencies. The efforts of farmers, through governmental leadership, to restore their purchasing power in terms of industrial products, is met by the argument, "Whatever temporary benefits might thus be conferred, it is a method which, if pursued as a long-run policy, can result only in stationary or declining standards of living."[19] But the method referred to was avowedly an emergency measure, with provision for its termination when statistics might show that the emergency had passed. Contrasted with this is the conscious policy, referred to by Ohlin, of meeting both big and little national emergencies by temporary measures in advance. An "exaggerated boom" of rising prices is to be prevented as well as an "undesirable fall in prices."

The passive rôle of credit is likewise the *laissez-faire* rôle of the state. It is the simplified assumption that the state is "neutral." It ends in the rather pathetic appeal to big business voluntarily to reduce prices. The pure logic of the argument is inescapable. A greater aggregate profit may often be made for an individual firm by enlarging the output at reduced prices than by restricting the output at higher prices. There have been examples of this enlightened policy, and Moulton refers to them as well known. On the other hand, some of the greatest corporations, the railway companies, had to be compelled by government to reduce rates, and then were surprised by the resulting increase in profit. The state and federal governments went further and, quite contrary to the classical passive theories, they restricted the right of investment by requiring certificates of convenience and necessity before extensions of "capital formation" were permitted. In the competitive manufacturing field, as in the monopolistic railway field, it was obviously the fear of price-cutting that brought about the mergers, consolidations, holding companies, trade associations whose policies of price-maintenance are condemned by Moulton. Similar policies were attempted but were unconstitutional in the experiments of the National Industrial Recovery and the Agricultural Adjustment legislation. The Securities Exchange Commission is a similar venture, not yet unconstitutional. Apparently in all fields the business men must actively be taught their own business by government through compulsory school attendance. This education includes the field of credit regulation. The difference is that in the latter

[19] *Income and Economic Progress,* 125.

field the regulation is general, directed to the prices charged in all industries, while in the former the regulation is specialized. The one, as practised in the more recent emergency by Sweden and England, is a general price-raising policy; the other, as advocated by Moulton and the classical economists, is particular price-reducing policies for individual establishments or industries over a long-run period of time.

How far into the future these general price-raising policies shall continue is left for the emergencies of the future. They are evidently efforts to recover from depression, and, when the recovery is reached by restoring industry to full capacity and thereby absorbing the unemployed, a general price-stabilization policy would be accomplished by the same administrative methods of day-to-day credit regulation. But that is left to be decided when the time comes.

For the reason that purpose or policy looks to the future, for which statistics are not yet available, neither the facts nor the "rigid economic analysis" of the facts lead to any logical or inevitable conclusion as to what to do now in contemplation of the uncertain future. This is a predicament for both the price-stabilization and the price-reduction policies. Each must turn to a different mental process, an emotional rather than intellectual process, which may be named variously as good judgment, wisdom, argumentation, pleading, appeals to hope or fear. Here the method of reasoning is that of a comparison of different proposed policies by weighing their advantages and disadvantages. Moulton turns from his "diagnosis" to a comparison of remedies or "lines of progress" which have been proposed elsewhere, such as taxation and public enterprise, raising money wages, profit-sharing, the antagonistic policies of wage-earners and farmers, and concludes with his own "democratic ideal" of "distributing income through price reductions."[20] Keynes's "rigid causal analysis" leads him to the alternative policies of "allowing prices to fall slowly with the progress of technique and equipment whilst keeping wages stable, or allowing wages to rise slowly whilst keeping prices stable." He then turns from logic to ethics and concludes that "on the whole" he prefers the price-stabilization policy, but "no essential point of principle is involved."[21] Fisher compares different "palliatives" for the "debt disease" and finally settles upon stabilization of the general purchasing power of the dollar as "the remedy."[22] Ohlin discusses the monetary policy of the Bank of Sweden as what Sweden "desires" or "does not desire."

The predicament arises, in part, from the above-mentioned double meaning of a commodity—its price and its quantity—and in part from looking into the future. Which of the two meanings is the strategic one and which

[20] *Income and Economic Progress,* 87 ff.
[21] Keynes, *op. cit.,* 271.
[22] *Op. cit.,* 113 ff.

is complementary? Shall output be controlled to prevent over-production and under-production, or shall prices be controlled and output be left to follow as it may? We know that in private industry both controls are practised. And we know, from monopolistic public utility regulation, that when the state fixes prices it also must require the corporation to render service at those prices. But if this control of output is carried over to competitive industries, very little scope is left to private initiative, as is already the case in the regulation of public utilities privately owned, where private initiative turns from production to stock ownership. In the extreme case of communism both prices and output are controlled by the state.

Since purpose or policy looks to the future, it is the realm of ethics as well as economics. The classical economists, followed by Moulton, took for granted that the "whole of society" was the consumers. Production of wealth is, or should be, directed toward the consumer's satisfaction of wants. What the consumers want is abundance of products at low prices. The appeal is universal. Everybody is a consumer, from paupers to millionaires. But producers are divided into innumerable special interests each selfishly working against consumers by maintaining prices and restricting output. Yet it is noticeable that each consumer wants to maintain high prices for the products which he sells and low prices for the products which he buys.

The price-stabilization, or general price-raising, school definitely takes the standpoint of producers and, in particular, of that legal end of the productive process where duties and responsibilities must be accepted and commitments must be made in order to enter and continue in business by making a margin of profit on sales. But it takes the standpoint of *all* profit-receivers, not of individuals or firms. All business men, whether in mass-production units or in petty units, must become debtors to everybody whom they enlist in production and marketing—to laborers for past services, to investors for past savings, to land owners for rents, to governments for taxes. The debts are enforceable at law, carrying penalties of insolvency, foreclosure, bankruptcy, receivership. All other classes prefer to deal with solvent debtors, even though they are the disliked monoplists. Under the capitalistic system that is the only way for them to get a living or get employment and thereby get capacity to consume. It is not a matter of appeal to public spirit. When the business man gets scared about insolvency he slashes right and left regardless of others. In periods of prosperity, with rising prices and expansion of sales, he may be appealed to by labor unions and charities. The policy of gradually raising the general price level yields what our Francis A. Walker, seventy years ago, named a "fillip to industry," by which was meant a fillip to profits.[23] It gradually enlarges the business man's capacity to pay debts. Ohlin's exposition shows it experimentally at work on a credit basis.

[23] Preceded by David Hume as to metallic money.

The term "price stabilization," as Moulton rightly explains, has more than one connotation.[24] It may have the meaning, which he uses, of price-maintenance of *particular* commodities, distinguishable as his monopolistic or privileged price stabilization. It may also mean "efforts to control the general level of prices through the manipulation of money and credit," distinguishable as *average,* or national, or even international price stabilization. Such is the policy of the Bank of Sweden, but this kind of stabilization is excluded from the investigations made by the Brookings Institution.

Yes, the general price-stabilization policy and Moulton's price-reducing policy are not inconsistent when once the principle of relativity is brought into the investigation. The one is directed toward an average of prices, the other toward particular prices of individual firms. Individual prices may rise or fall relative to the average, while the average rises or falls or is stabilized. A statistical construction of averages is officially set up by the Bank of Sweden as a kind of thermometer to guide the management in its credit regulation. It has the advantage that it does not interfere with individuals, whether monopolistic or competitive, in their transactions. An "average" does not exist except as a mental tool for investigating certain similarities, or as a working rule of concerted action in regulating certain similar aspects of individual action. If individuals or firms are dealt with, then individual inducements are used, including Moulton's plea addressed to monopolistic enterprises voluntarily to reduce their prices relative to the average of all prices.

Their self-interest may be appealed to, with a disavowal of ethical purpose, because the ethical relations proper have been taken over by the state, as in other cases of justice and ethics where individual appeals are inadequate. This principle applies also to state and federal regulation of public utilities, or of market commissions, or of industrial commissions and the like, where government endeavors to apply rules of "reasonable value" or "fair competition" as an ethical ideal in default of successful appeal to the self-interest of individuals. The latter do not lose their place in their particular fields when the policy of average price-stabilization by credit regulation is made to apply to the more general field of all economic enterprises.

In weighing different policies by argument and pleading rather than by rigid causal analysis Moulton properly enough discards the arguments of capitalistic economists who look to the heavy industries for recovery. A similar discard is made of the arguments of leaders of labor unions who look to the wage-raising efforts of organized labor as the means of recovery by increasing the purchasing power of labor. Each of these arguments is shown to be partial and inadequate for recovery.

But the conclusion also contradicts the price-reducing policy. It, too, is partial and applies avowedly only to those firms which by mass-production

[24] *Income and Economic Progress,* 138 n.

have become capable of reducing prices. The smaller firms and independent farmers are not mass-producers and can, to a much less degree if at all, reduce prices and survive. They are overlooked in his "democratic ideal." He says:

> The elaborately industrialized system known as "mass production" marks the highest level attained under man's productive programs. But we cannot have the economics of mass production save in an economy of mass consumption. Each is the condition of the other. . . . To seek the acceleration of economic progress by means of price reductions is not to attack the system of private capitalism but rather to return to the very logic upon which the system was justified and extolled by both lay and professional students of the economic process when the system was assuming its present general character. The basic economic policy which we are enunciating does, however, definitely attack what we regard as a serious abuse of the profits system and the institutions of private capital which have grown up in modern times.[25]

The appeal is supported by past experiments of "the more acute minds within the ranks of business leadership," who have perceived that only by acting in conformity with price-reducing policies "can they assure the long-time success and growth of their own companies as well as minister to general well-being." The general principle on which the appeal is made is in the argument that

> . . . had the volume of sales been expanded as a result of price reductions, unit costs would have been reduced and profits might well have been larger. The business manager who progressively reduces selling prices as technological improvements are made need have no concern over the long-run trend of profits. The history of business enterprise shows that under such conditions profits usually take care of themselves. Even if profits should not actually increase, a contribution is nevertheless made through the expansion of wealth production toward raising the level of material well-being—which is the ultimate purpose of an economic system.[26]

Yet this democratic ideal does not, he contends, "inject ethical values or political ideals into an economic problem." Apparently he has a double meaning of ethics, for he goes on, "The underlying purpose of business is to serve the people; indeed only as it serves people can it serve its own best interests."[27]

This ultimate ideal of service to others is a purpose widely accepted in modern "business ethics" and calls for investigation. It was investigated by Adam Smith but excluded by him from classical economics in his well-known conclusion, "I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dis-

[25] *Income and Economic Progress,* 163, 162.
[26] *Ibid.,* 154.
[27] *Ibid.,* 163.

suading them from it." Moulton, nevertheless, proposes to persuade them to it.

But there are limits to price-reducing policies. They are made feasible, to a limited extent, by enlarging the output of individual firms through mass production. There is evidence that this is being extended to agriculture and retail business. The consequence is that independent small producers are converted into wage-earners or left unemployed. Mass production results in mass strikes. If extended further in agriculture the independent family farmers become employees or tenants of large mass-producing or mass-marketing units.

How far in these directions the price-reducing policies shall be permitted to go depends on the kind of government or the kind of business men or laboring men in control at the time. It may be, as in Sweden, the substitution of an agrarian party and a labor party for the older political parties; or, as in Russia, a single labor party; or, as in Italy and Germany, a party of the middle classes; or, as in a *laissez-faire* government contemplated by Moulton, the successive monopolization of industries controlled by large capitalists who prevent further price-reducing by their price-maintenance policies.

On the other hand the average price-raising or price-stabilizing policy, described by Ohlin and advocated by the credit-regulating economists, is a policy preserving the small independent producers, whereas the price-reducing policies contemplate with indifference their reduction to the status of employees in the interest of mass-production efficiency. The preservation of small independent producers is also a democratic ideal.

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THE REVENUE ACT OF 1937[1]

In pursuance of a special message of the President on June 1, Congress passed amendments to three titles of the Revenue act of 1936 primarily for the purpose of reducing income-tax evasion and avoidance. The chief methods of evasion and avoidance used by certain large taxpayers which were considered were the creation of personal holding companies, multiple trusts, and family partnerships and the incorporation of country estates, racing stables, yachts, personal talents, etc. The 1937 law increases the rates applicable to personal holding-company income so that they are now as high as the surtax rates on individual income. Definitions of personal holding-company income are made more inclusive, and deductions permitted to such companies are greatly limited. Thus, the gain from personal holding companies and similar devices is so penalized and reduced that it is expected that most of those now existing will be abandoned and that new ones will be formed only in exceptional circumstances, with the result that the administration of the federal income tax will be more equitable and also more productive of revenue.

On June 1, 1937, President Roosevelt sent a special message to Congress urging legislation to amend the income-tax law so as to lessen or prevent evasion and avoidance. The members of Congress already faced the heat of a Washington summer with a legislative program of tremendous scope all of which was practically deadlocked by the disagreement over the President's Court reorganization proposal. The President's message contained a reference to the promise made in January that he would request no additional taxes and no increase in tax rates. He stated that the immediate purpose was to strengthen the administrative provisions in order to prevent leaks.

The major part of this message consisted of a letter from the Secretary of the Treasury that called attention to the failure of the Revenue act of 1936, with its high surtaxes on individual incomes and heavy new levies on undistributed corporation incomes, to yield anything like the budget estimates. Much of the blame was put upon certain large taxpayers and their ingenious lawyers and accountants who devise "clever little schemes" of evading and avoiding taxes.[2] Some of the latter were admitted to be entirely legal under existing law but thoroughly demoralizing to tax ad-

[1] While this legislation was under consideration, Congress passed an amendment to the Revenue act of 1932 extending the excise taxes for two years. These taxes are levied on sales of gasoline, electric energy, telegraph, telephone and radio facilities, sporting goods, electric refrigerators, etc. The law (50 St. A.L. 402) became effective June 29, 1937. It is estimated to yield $650,000,000.

For references to articles on previous Revenue acts see *American Economic Review;* XXVI: 466 (September, 1936).

[2] "We have now a bar of registered attorneys and tax accountants numbering approximately 45,000. Against them are pitted some 2,800 field agents actively engaged in tax investigations for the government. The contest is, of course, unequal. The fees of the tax lawyer exceed by thousands of per cent the pay of his opponent employed by the government. In this manner the most resourceful brains of the legal world are engaged actively in trying to avoid taxes for their clients. Among these are men who received their early training from the government and who use the skill they acquired in that service against the younger men who take their places. The government then becomes a training school for many of its opponents"—Statement of Secretary Morgenthau, *Hearings before the Joint Committee on Tax Evasion and Avoidance,* p. 10, 75th Congress, 1st Session, 1937.

ministration and the public revenues and extremely unfair to honest taxpayers.

The Secretary explained eight of the more common avoidance devices used by certain taxpayers. These were: (1) the establishment of foreign holding companies beyond the jurisdiction of the United States; (2) the creation of foreign insurance companies some of which were fraudulent; (3) the formation and use of domestic holding companies for tax avoidance purposes; (4) the incorporation of yachts and country estates; (5) the device of artificial deductions for interest, losses, etc.; (6) the creation of multiple trusts for relatives and dependents in order to escape the higher surtax rates and also to secure more favorable deductions and exemptions;[8] (7) the formation of husband-and-wife or father-and-children partnerships for similar purposes; (8) the formation or use of pension trusts for tax avoidance. It will be noted that most of these methods are too expensive to be used unless large sums are involved.

In addition to these schemes, the Secretary pointed out three inequalities in the law: (1) the allowance of excessive depletion to oil and mining companies, still in effect even in cases where the entire cost of property has already been recovered; (2) the division of income between husband and wife in the eight community-property states, which permits results similar to those gained by forming family partnerships mentioned above; (3) the flat rate of tax on incomes of non-resident aliens instead of graduated rates as upon residents.

Pursuant to the President's request for immediate action, Congress appointed a Joint Committee of twelve members from the finance committees of the Senate and the House to investigate the methods of evasion and avoidance and to recommend remedies. This Committee conducted public hearings from June 17 to July 28. The principal witnesses were representatives of the Treasury, including Secretary Morgenthau, who described in some detail the devices mentioned above.

Very few witnesses appeared to present the public's or the taxpayer's viewpoints as, obviously, no one wanted to put himself in the position of defending evasion of the law. Nevertheless there were criticisms in the press and by the public that nothing new had been brought out, that all of these devices had been known and used for years and that what the President and the Treasury really wanted was to save their faces or to find an excuse for their poor estimates of the tax yield. It was claimed particularly that the President wanted to distract attention from the Court fight that was not progressing as he desired. Congressman Hamilton Fish even went so far as to suggest that the tax message and the Hearings were not *bona fide* but political.

[8] One taxpayer who used this last scheme organized 64 trusts. Thus he split his income into 64 parts and avoided getting into the high surtax brackets.

The Joint Committee issued a report early in August and recommended legislation respecting: (1) domestic personal holding companies; (2) incorporated yachts, country estates, etc.; (3) incorporated talents; (4) artificial deductions for losses from sales or exchanges of property; (5) artificial deductions for interest and business expense; (6) multiple trusts; (7) foreign personal holding companies; and (8) non-resident aliens.

The Committee announced, however, that further study would be made of the problems of community property income, depletion and the use of pension trusts to accumulate untaxed income. The Treasury stated also that an extensive study was under way "to present full information as to the operation and effect of the present tax system, the incidence of taxation upon taxpayers in the different income classes, and, in general, the effect of our present forms of taxes upon the social and economic life of the country," with a view to aiding Congress in a general revision of the federal tax laws at its next session.

The Committee on Ways and Means held brief hearings and prepared a bill covering most of the recommendations of the Joint Committee. This was introduced into the House on August 16 and was passed the same day by a vote of 173 to 0, almost without debate. The Senate Finance Committee accepted it with only a few minor changes and the Senate also passed it (August 19) with practically no discussion.

The Revenue act of 1937 is written as an amendment to the Revenue act of 1936. Its six titles may be summarized briefly as follows:

Title I—Personal Holding Companies

The 1937 law increases the tax on the undistributed adjusted net income of personal holding companies to 65 per cent of the amount thereof not in excess of $2,000 and to 75 per cent of the amount thereof over $2,000. In the 1936 law the rates applicable to such companies were graduated from 8 per cent on the undistributed adjusted net income not in excess of $2,000 to 48 per cent of the amount thereof over $1,000,000. The rate on the highest bracket in the new law is the same as that for the surtax on individuals. The definition of a personal holding company is tightened to prevent a company's escaping by making slight changes in the character of its income. The new rates apply only with respect to taxable years beginning after December 31, 1936.

The definition of personal holding-company income was also revised. The law now requires such companies to include as income gains from exchange of stocks, gains from transactions in commodity futures, income from estates or trusts, income from personal services or talents (designed to catch income of movie stars) compensation for the use of property (designed to prevent evasion by incorporating yachts, country estates, etc.), rents, and mineral oil or gas royalties except under certain conditions. The

1936 law excluded rents so as not to interfere with *bona fide* apartment and other realty operating companies. Under the 1937 law such income must be included unless it constitutes 50 per cent or more of the gross income of the corporation.

New rules are also laid down as to methods of determining ownership of stock of personal holding companies.

Title II—Foreign Personal Holding Companies

The 1937 law treats the income of the foreign corporate entity as income of shareholders within the jurisdiction of the United States and requires them to report as their income their equities in the undistributed net income of such companies.

Title III—Disallowed Deductions

Deductions are denied on account of losses from sales or exchange of property, directly or indirectly: (1) between two corporations if more than 50 per cent of the outstanding stock is owned directly or indirectly by the same individual or if either was a personal holding company for the preceding year; (2) between an individual and a corporation in which such individual together with a partner owns more than 50 per cent of the outstanding stock; (3) between an individual and a fiduciary of a trust of which the individual is the grantor; (4) between a fiduciary of one trust and a fiduciary of another trust, if any grantor of one trust is also a grantor of the other, and (5) between the fiduciary of a trust and any beneficiary of such trust.

Title IV—Trusts

The 1937 law eliminates the $1,000 exemption formerly granted to trusts but does not affect trusts that distribute all of their income. It will tend to prevent trusts from accumulating income and thus escaping tax entirely. It also requires the fiduciary to file a return in case of any trust having net income, regardless of amount, and also requires a return where distributions are discretionary or based on contingency.

Title V—Non-Resident Alien Individuals

The 1936 law imposed a flat 10 per cent rate on non-resident aliens not having an office or place of business within the United States. The tax was usually collected at the source by means of withholding. In the 1937 law, this 10 per cent rate is to apply only if the aggregate amount is not over $21,600.[4] If it exceeds $21,600 it is subject to normal and surtax rates. Deductions are allowed only to the extent that they are properly allocable

[4] This is the approximate point at which the normal tax plus surtax becomes 10 per cent.

to the gross income from United States sources. In no case shall the tax be less than 10 per cent of gross income.

Title VI—Miscellaneous Provisions

Section 601 adds a new section that excludes certain domestic and foreign corporations from operation of section 102 (which imposes a surtax on corporations improperly accumulating surplus) for taxable years for which they are subject to Title I-A, before or after its amendment by the Revenue act of 1937, or to the provisions of Supplement P of the 1937 act relating to foreign personal holding companies. Section 602 excludes domestic and foreign personal holding companies from special treatment accorded mutual investment companies for years for which they are subject to Title I-A.

The law was signed August 26 and became effective for the taxable year, fiscal or calendar, beginning after December 31, 1936. It is therefore, retroactive, hence most corporations will find it inconvenient or impossible to reorganize or rearrange their affairs until some time after the tax has become effective.

Comments

The story of tax evasion and tax avoidance is as old as the income tax itself. In the first laws under the Sixteenth Amendment the rates on corporation income and individual income were not so different as they were later. As the surtax rates for individuals were increased, there was more and more of a temptation and opportunity to avoid the surtax by incorporating.

Congress attacked the problem in 1918 and succeeding years by levying penalty taxes on improperly accumulated surpluses. In 1932 a special report was issued by a subcommittee of the Committee on Ways and Means. The results of this were provisions in the 1934 law for taxing personal holding companies at special rates. This provision was written into the 1935 and 1936 laws. Not only were the rates considerably lower than those applicable to individuals, even though higher than applicable to corporations generally, but personal holding companies were permitted many deductions not allowed to individuals.

As has been stated, large-income taxpayers were encouraged to use this device because the surtax rates rose to great heights (75 per cent in the 1936 law). Moreover, the law was considered one-sided in that it taxed all capital gains, but limited the deductions of capital losses. The natural tendency to justify or rationalize tax avoidance was also strengthened in the minds of those who considered that income was taxed twice when both corporations and individuals paid taxes on the same income.

Moreover, the Supreme Court upheld the legality of some of the con-

demned methods.[5] When there are various Court decisions some of which permit the looking through the corporate entity to the real essence of things and some of which do not, it is very difficult if not impossible to administer equitably an income-tax law under the complexities of modern financial organization.

The change of tax rate applicable to non-resident aliens is also cited as an example of the unfair one-sided government tax policy of "heads I win, tails you lose." Heretofore the flat rate of 10 per cent has encouraged rich Americans to live abroad, and has favored many rich American women who have married foreigners. On the other hand, this rate was unfair to the taxpayers with incomes in the lower brackets. The new law retains the minimum of 10 per cent and thus still discriminates against non-resident aliens with incomes under $21,600, but if the income is over $21,600 the rates are the same as those applicable to residents. It should be recognized, however, that there are strong administrative reasons for a flat-rate tax collected at the source in the case of non-resident aliens.

The belief that the Administration is trying to harass large taxpayers, the "economic royalists," and that the policy of the Bureau of Internal Revenue is to deny refunds until otherwise ordered by the court of last resort may well tend to encourage tax avoidance and rationalizations of its justification. The President, however, appears unwilling to distinguish between the moralities of tax evasion and those of tax avoidance, although the legitimacy of avoidance has been recognized by the Courts.

Several important problems were scarcely touched by the new law. Nothing was done with regard to tax-exempt securities, a matter which has been discussed for decades. The matter of pension trusts was not considered seriously because such a small loss of revenue is involved. It was said that the fraud provisions of the 1936 law were adequate to cover the matter of single premium life insurance policies issued by fraudulent companies. As noted above, these and other matters were left for further study.

What will be the results of the 1937 law? Presumably it will cause the dissolution of many personal holding companies inasmuch as the new penalty rates will make most of them too expensive to maintain. The law's effect on *bona fide* concerns is also problematical. No official estimates have been made of the amount of tax leakage that will be prevented. Semi-official estimates run from $50 to $100 million; but great doubt is expressed by some of the representatives of the Bureau of Internal Revenue as to the efficacy of the new law in closing loopholes. Some tax attorneys say there are still plenty of ways to escape.

In any case, the prevention of tax evasion and avoidance becomes more

[5] For example, the incorporation of personal talents and the conservation of income for future production. See the case of Commissioner *v.* Cecil B. de Mille Productions, Inc., C.C.A. 9th, April 16, 1937, affirming B.T.A. 1161.

difficult as tax rates are pushed higher and higher and as the laws and their administration outrage the common opinion of taxpayers as to what is reasonable and equitable. Generations accustomed to the regime of private property and relatively low taxes naturally consider income-tax rates confiscatory when they run to a maximum of 79 per cent—and even to more when the double taxation of both corporate and individual incomes is counted. And besides those really socially minded who react in this way and who also resent unfair legal provisions and administration, the minority who are not socially minded will resort to all sorts of legal tricks to escape all they can. It is this minority who occasion the chief difficulties for legislators, administrators and honest taxpayers generally.

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ANALYSIS OF CAPITAL SUPPLY AND NATIONAL WELL-BEING

Mr. Snyder's conclusion that the concentration of wealth represents an improvement in well-being is based on the identification of well-being with industrial expansion. It further assumes that production can be expanded by reducing consumption. Over the short run the volume of saving is more dependent upon the level of production than upon the concentration of income. Distribution must be analyzed in terms of rates; well-being is a matter of aggregate receipts. Against the familiar theoretical view that profits disappear under stable conditions, Mr. Snyder holds that "stable business means stable profits" large enough to finance the expansion of American industry on the scale it has grown to during the past century. The concentration of wealth dictum neglects the requirements which modern industry imposes upon the worker. Poverty is a cause of unemployability. The author's claim for the rich assumes an unnecessary burden of apologetics; and although his facts indicate the irrelevance of much theory, the conclusions are strictly on the side of the angels.

In a recent issue of this *Review,* Mr. Carl Snyder has concluded on a basis of the "inescapable relationship" revealed in statistical data that "the greater the 'concentration of wealth,' *i.e.,* income, in the hands of the few, the greater the capital supply, and therefore the greater the gain in national well-being."[1] It is not clear how he escapes the finality that maximum well-being consists in reducing consumption to the subsistence level in order to provide the largest supply of capital.[2]

An important issue is raised by the conclusion that a greater concentration of wealth means a greater supply of capital. We do not find investment expanding in the face of declining consumption, yet greater concentration of income means declining consumption. And since production moves in the same direction as consumption, but at a faster rate, it follows that declining consumption will result in a declining total income and in a smaller supply of capital, although of course a larger portion of the total income will be saved. The error seems to lie in the assumption[3] that if a larger part of the total national income is saved, the capital supply will be

[1] "Capital Supply and National Well-Being," June, 1936, p. 224. Further references are to this article unless otherwise indicated. My criticism was submitted to the *Review* more than a year ago, before I had examined Mr. Keynes's *General Theory of Employment, Interest and Money.* In the meantime two comments have appeared in this *Review* with replies by Snyder: see B. S. Keirstead, September, 1936; Jesse H. Bond, March, 1937.

[2] In this connection one recalls the inaugural address of the late President Coolidge in his prelude to reduction of income taxes in the higher brackets. "The time is arriving when we can have further tax reduction, when, unless we wish to hamper the people in their right to earn a living, we must have tax reform. . . . I am opposed to extremely high rates, because they produce little or no revenue, because they are bad for the country, and, finally, because they are wrong. We cannot finance the country, we cannot improve social conditions, through any system of injustice, even if we attempt to inflict it upon the rich. *Those who suffer the most harm will be the poor.*" (Italics mine.) (*Congressional Record,* vol. 67, part 1, p. 6.)

[3] Mr. Snyder's contention that workers under collectivism could gain only the increment now used for the personal expenditures of the rich (p. 220) involves the same error—the assumption of a given fund of income—whereas, the problem is how much can the total income be increased.

increased. In fact, the effort to save a larger portion of income often leads to a decline in the total income produced. While there is nothing illogical in the position that saving a larger portion of the total income will increase the supply of capital, the difficulty is in the presumption that the total national income produced is independent of its distribution, for saving a larger portion may be possible only at the cost of a smaller total income. Over the short run—10 years—there is no evidence to support the belief that total income can be increased by consuming less.[4] Practically, the level of total national income produced is of more significance to the volume of saving than is the portion of income saved.

To maximize income requires a balance between consumption and investment which will maintain the full utilization of resources.[5] In a rich nation greater concentration of income is likely to reduce the volume of savings by reducing consumption and causing a cyclical decline in total production.

A further issue concerns the transition from production to well-being. The facts presented deal only with industrial expansion; the conclusion concerns well-being. The statements regarding high wages (pp. 217, 218) fail to distinguish between rates and aggregates. To shift from the analysis of distribution to conclusions regarding well-being, it is necessary to translate rates of return into aggregate income, not for a week or year, but over a lifetime. A greater capital supply may mean higher wage rates, but it has also resulted in greater instability, longer periods of unemployment, greater unemployability, earlier superannuation, and other adjustments costly to the workers. Time series on horse-power and bank deposits are scarcely suitable criteria for well-being.

Nor can an appreciation of the effects of concentrated wealth upon national well-being be grasped merely in terms of the capital supply. The author cites Mr. Ford as a paradigm of wealth. But there is also Mr. Hearst. In no sense need one be a believer in economic determinism to recognize the dominant rôle played by "wealth" in shaping the culture of the community.[6] It does not require a Marxist or even a materialist[7] to find at the root of the Great War, provisionally ended in 1919, the same forces which are responsible for our "wondrous industrial advance."

The rationalization of concentrated wealth assumes an unnecessary burden of apologetics. To assert that the increase in production has resulted solely from mechanization and not at all from increased efficiency of labor

[4] Attention is called to the relationship between income produced and income paid out. Changes in income produced and income paid out are in the same direction, but income paid out changes more slowly. There is no empirical basis for believing that income produced will continue to increase if income paid out is reduced.

[5] See J. M. Clark, "The Meaning and Requirements of Balance," part v, *Strategic Factors in Business Cycles,* Nat. Bur. of Econ. Res., 1934.

[6] See Harold Laski, "America's New Education," *New Republic,* July 29, 1936.

[7] For example, see the excellent essay by George Plimpton Adams, *Idealism and the Modern Age,* Yale Univ. Press, 1919.

(pp. 211, 212, 244), not only is to neglect the education required by modern industry, but is to ignore as well the most basic principle in economics—namely, that as the supply of a factor (capital) increases relative to another factor (labor), the value of a unit of the latter is increased. In practical language the efficiency of labor is raised by a relative increase in industrial equipment. There is also Veblen's point that the knowledge of technique, which is our common heritage, is the really valuable thing.

To prove that the reward for ownership is small,[8] the author cites dividends on nominal capital of 2½ and 5 per cent in 1932 and 1929 (p. 222). First, earnings, not dividends, are clearly the measure of reward for ownership, and in 1929 dividends represented only about two-thirds of earnings. Second, dividends or earnings expressed as a percentage of *nominal* capital stocks have a questionable meaning. Third, what meaning can there be found in the *average* rate of return of half a million corporations of all kinds? The average may only conceal the results of concentrated wealth. It surely includes fictitious deficits. Fourth, are not executive salaries so intimately related to ownership that they should be included in any measure of the return? It may be recalled that "good management" (along with efficient machinery) was given as the sole cause of high profits (p. 217). Yet if it be held that salaries are the reward of management, not of ownership, then "good management" can no longer be a justification for high profits. The author appears to hold: (a) that management is divorced from ownership when he is proving that the reward of ownership is meager; (b) that management is wedded to ownership when he is justifying high profits on grounds of "good management."

Finally, since the burden of the analysis is that our "wondrous industrial advance" has been financed out of profits, it ill becomes the argument to attempt to prove also that the return has been beggarly. Mr. Snyder elected to measure the return to ownership as a percentage of the enormously inflated capital structure of 1929. The small shrinkage in capitalization during the depression was striking. This was used to indicate that the return is small to the savers who are "the true saviors of society." Instead, the failure of the capital structure to adjust itself might have been taken as a factor in explaining the length of the depression. Not only that, but the use of dividends instead of earnings obscures the fact that it was advantageous to "concentrated wealth" not to pay out earnings, thereby reducing taxes. The management has also increased its control over stockholders' property by this means—"forced savings" in a neglected sense.[9]

[8] In contrast, Mr. T. J. Kreps has found the return on ownership to have been around 12 per cent. "Dividends, Interest, Profits, Wages, 1923-35," *Quart. Jour. of Econ.*, August, 1935, p. 580.

[9] See further, "When the Company Turns Investment Trust," *The Magazine of Wall Street*, April 11, 1936, pp. 764 ff.

A tax policy based on Mr. Snyder's conclusions would abandon the income tax in favor of regressive taxation on consumption. One danger in such a policy is that of impairing the productivity of the working population. To say that the workers of today are no more efficient than those of a century ago (p. 212), is to neglect the requirements of modern industry as to the education, training, and discipline of the working population. The wide dissemination of industrial and professional education is a requirement for the operation of our present technology. Unemployability is in part the costly consequence of poverty, which unfits human resources for productive employment at current standards.

The conception of the problem of unemployment lacks discrimination when it is argued (p. 199) that "high wages" and the "rate of increase in production" reveal no unemployment between 1921-29. It is not merely a question of there being jobs; the unemployed must be able to perform them. Standards and requirements in education, skill, and discipline have advanced. Long periods of general depression, distressed areas, and sick industries leave millions of workers with impaired skills, shattered discipline, and a greater age handicap. Technological displacement leads to the expansion of employment but leaves behind those who lack the education, training, and adaptability to fit into the changed order—technological unemployment in a neglected sense—unemployability. It seems to me very probable that we shall be the poorer over the next decade because of the increased unemployability caused by the recent depression. We shall make ourselves richer by extending education and training, not by restricting it as the greater concentration of wealth would do.

Mr. Snyder has always used his strongest language against the traditional methods of economists and insisted that his own analysis was based on the principles used in the physical sciences. He even adopts the Humean criteria of causation to prove that profits correlate with high wages, and concludes:

> The linkage seems to be: no net realized profits; no savings for productive industry; *therefore,* no increase in number employed, or in plant . . . ; *therefore,* no increase in wages . . . (p. 214).

Now in *linkage,* there can be no *therefores.*[10] If the requisite of prosperity be capital supply, it is a far cry to the conclusion that the capital supply is

[10] Despite the weasel word *linkage,* Mr. Snyder is demonstrating what he has been at such pains to deny—namely, that there is a difference in criteria of method between the social and the natural sciences. In economics we know the *why,* the purpose, long before we have discovered the *how,* as Mr. Snyder's interpretation of profits indicates. Since inquiry in the natural sciences is always with the *how* and never reaches the *why,* one may completely accept the Humean principle for the natural sciences but reject it in the social field. On this point see Leo Rogin, "Werner Sombart and the 'Natural Science Method' in Economics," *Jour. of Pol. Econ.,* April, 1933, and Sombart's *Die Drei Nationalökonomien: Geschichte und System der Lehre von der Wirtschaft* (Duncker und Humblot), especially on the interpretation of profits.

increased by the greater concentration of income, and a still farther cry to such a conclusion by Humean principles and quantitative methods. The real issue as to whether social control can effect more efficient use of capital or enlarge the supply seems to me to remain untouched. To conclude from the correlation of wages and profits that if we provide for high profits, then high wages will automatically result, is not empirically any more justifiable than the reverse—that to provide high wages is to insure high profits. In fact the author's position requires that he explain why we never had anything but the most golden prosperity following the high profits of the late twenties. His answer is that there was no lack of balance in prices, no shortage of purchasing power, no failure to pass on technological improvements in lower prices and higher wages, no lagging in consumption. There was only one difficulty—namely, credit expansion (p. 199). The thesis[11] is that credit should be expanded steadily on a basis of the physical expansion of production which will insure stable profits large enough to provide the requisite supply of capital (p. 217). But would not stability reduce the rate of profits? And would not credit expansion on a basis of physical production lead to inflation of prices due to gradual lowering of cost? I raise these familiar questions primarily to indicate that the analysis of the long hundred-year period is not appropriate to treating the problem of balance over the 9-11 year cycles. If it is true that the prices of wheat and other staples have kept their relative positions[12] over a period of 100 years, that is very significant; but it does not prove that the serious declines in production which we suffer periodically are not a consequence of unbalanced prices. The long-term relationship has perhaps been kept, after a fashion, by the cyclical adjustments.

It is interesting that, while the author has only scorn for the traditional methods and theories of economists, his own conclusions, to wit, that profits and large fortunes must be "let alone," were arrived at by the deductive economists of a century ago. The *content* of his analysis, however, indicates the irrelevance of classical doctrine, for if profits in the hands of a few people are the vital source of savings, then the old claim that the discomfort of waiting (saving) is a burden coördinate with labor cost, is irrelevant.

The argument that profits are the necessary source of capital does not provide any basis for determining whether the supply of capital can be increased by consuming more or less. The greater concentration of wealth dictum, like classicism, quits the analysis where the real problem begins.

Broadly speaking, with the mercantilists it was proposed to regulate consumption to the end that a surplus might be diverted to national wealth. The classicists saw that greater production and well-being can be achieved

[11] See also Snyder, "The Problem of Monetary and Economic Stability," *Quart. Jour. of Econ.*, February, 1935, pp. 198, 200.

[12] See Snyder, "On the Structure and Inertia of Prices," *Am. Econ. Rev.*, June, 1934.

by freedom and justified the concentration of wealth on the grounds that it (a) involved a cost comparable to labor cost, and (b) increased the productivity of labor. All of this the author now denies—except the conclusion that concentrated wealth promotes national well-being. The number of proposals for sharing the wealth, which worry Mr. Snyder, are to my own mind surpassed only by the ingenuity of the "reasons" for not sharing it.

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SURVEY OF WORK-RELIEF WAGE POLICIES

Prior to the entrance of the federal government into the field of relief, work-relief wage policies varied from payment of prevailing wage rates to entire repudiation of the wage concept. Since 1933, various programs have, at the outset, involved departures from the prevailing wage concept. In each case, however, a return has been made to payment of prevailing rates. Restriction of total earnings to the "budgetary deficiency" has been abandoned in favor of the present "security wage." The factors involved in these changes are outlined and analysis is made of the problem of establishing rates that will satisfy all of the requirements imposed upon a work-relief program.

Practically since the nation began, local work-relief programs have been organized that embodied the same fundamental principle as the work relief of the present decade. These programs were motivated by the concept that the usual agencies of charitable relief are both inadequate and unfitted for dealing with the distress which involuntary unemployment brings to the able-bodied.

By and large, wage rates on these early programs left much to be desired. Payment of prevailing rates was the exception rather than the rule. Failure to pay such rates was due to the inadequacy of funds and to various inertias, prominent among which has been the fact that an element of charity has clung to work-relief employment. Low rates were defended on the grounds that available funds should be distributed as widely as possible and that poorly paid employment would attract fewer undeserving persons. The opinion was expressed in 1895 that work relief "must be decidedly underpaid in order not to attract those who already work at half-time, or who have otherwise disagreeable work. The whole must be so unattractive as to guarantee that, when other work can be had, the laborer will seek it."[1] The claim of organized labor that low work-relief wage rates tend to reduce private wage scales was advanced at least as early as 1893.[2]

The total amount earned per week or per month was intended to provide a minimum standard of living and to make other relief unnecessary. However, because of the shortage of funds and the low standards of relief that have prevailed in the past, earnings were too low to provide the bare essentials of existence except in scattered instances.

Local and State Work-Relief Wage Policies, 1930-1932

The wide variety of wage policies during the period 1930-1932 are attributable to a number of factors. Predominant was the chronic shortage of funds in the face of mounting relief needs and the differences in financial capacity between the various political units. There were also wide variations in the concept of what work relief is supposed to accomplish. In some

[1] Philip W. Ayres, "Is Emergency Relief by Work Wise?" In *Proceedings of the National Conference of Charities and Correction, 1895,* p. 100.

[2] Leah H. Feder, *Unemployment Relief in Periods of Depression* (New York. Russell Sage Foundation, 1936), p. 180.

communities it was regarded merely as a work test or as a gratuity offered to the unemployed. Certain differences may be attributed to variations in the comparative strength of interested groups: labor unions, for instance, were strong enough in some communities to influence wage policies. Additional factors included the general lack of experience with work relief, the tendency to regard it as a temporary phenomenon which did not require long-range planning, and the absence of national administrative control.

Wage policies prior to 1933 fall into two major groups: (1) those which adopted a definitive wage basis, and (2) those which repudiated the wage concept entirely. The first category may be subdividid into (a) policies with some reference to prevailing rates and (b) policies with no reference to prevailing rates.

In some instances, prevailing hourly rates for the type of work performed were paid to all classes of labor. The "prevailing rate" as used in determining public wage policies is the most widely paid rate in the locality in each occupational group. As a rule, the rates paid to regular city employees engaged in municipal public works, parks, maintenance, etc., were considered to be the prevailing rate. Union rates were sometimes accepted as the prevailing rates for the specific trades concerned.

Other policies were based partly on the prevailing wage, paying skilled labor a percentage of the local prevailing skilled rates and thus recognizing rate differences between the various skilled groups. A variant of this practice was to pay unskilled labor the local prevailing rate but to pay a somewhat higher flat rate for all other types of workers. Other policies stipulated payment of less than (and, in New Jersey, a fixed percentage of) prevailing rates.

The most prevalent policy, however, made no reference to prevailing rates and involved the payment of a flat hourly or daily rate to all classes of labor. A sample study of 339 communities early in 1933 showed that in three-fourths of the cities one rate was paid, irrespective of skills.[3]

The second general category of wage policies repudiated the wage concept entirely. Payments bore no relation to the number of days or hours worked or to the kind of work performed. Such a policy "is not a method of paying men for services. It is a measure by which men give some measure of reciprocal service for benefits which they receive. . . ."[4] This work relief was merely a continuation of the traditional local poor-law relief.

Similar wide differences prevailed in policies governing the amount of time worked and hence the total earnings. Employment by 2-, 3-, or 4-day shifts was most frequent, with all workers employed the same number of

[3] See *Unemployment Relief Experience,* Family Welfare Association of America, Monthly Summary no. 12, Supplement to News Letter, vol. viii, no. 7, November, 1933.

[4] *Second Annual Report,* Appendix B-1, New Jersey Emergency Relief Administration, October, 1933. Mississippi adopted a similar policy early in 1933.

hours or days. Some localities adopted the policy of equal earnings but unequal hourly wage rates for various occupational groups, necessitating longer hours for unskilled workers.

On many programs the number of days of employment and the weekly or monthly earnings varied with the number of dependents in the relief family. This policy, which was adopted more frequently as the depression continued, was a development toward the "budgetary deficiency" principle whereby earnings are limited to the amount necessary to meet the minimum requirements of a relief family as determined by social case-work investigation.

Federal Standards for Work Relief, 1933-1937

Under the Federal Emergency Relief Administration, the relief program was a "coöperative" arrangement between the federal government and the states. The Federal Emergency Relief Administration issued basic regulations outlining certain broad federal policies. Some of these regulations were mandatory; others were permissive in character. The Federal Emergency Relief Administration was able to enforce its mandatory rulings through its power of making or withholding grants-in-aid to the states. FERA work-relief wage policies represented primarily a point of view concerning relief employment problems rather than hard-and-fast regulations. The actual administration of relief was a state and local responsibility. State relief administrations exercised wide discretion in applying federal regulations to local problems. Since wide differences in point of view existed regarding work-relief employment, practices frequently varied between the states.

On the other hand, the programs of the Civil Works Administration and the Works Progress Administration have been federally administered. Both administrative and project personnel have been federal employees. Policies have been formulated by the Washington office except insofar as policymaking powers have been delegated to the state administrators.

Wage and Hour Policies, July, 1933-November, 1933

The Federal Emergency Relief Administration made its first efforts in July, 1933, to impose a measure of order upon the diverse wage and hour schedules of the state and local programs. Among the practices singled out for abolition were unduly depressed wage rates, excessive hours of work, widespread disregard of skilled differentials, and the absence of definitive hourly or daily wage policies. The initial wage policy of the Federal Emergency Relief Administration called for a "fair wage" with local determination of standards of fairness, and stipulated that a daily wage or the hourly equivalent be adopted. The policy required further that where

skilled personnel was required, skilled wages must be paid. The regulations likewise established a specific measure of total earnings per worker: earnings were to be determined strictly on the basis of the budgetary deficiency. No specific rule was formulated concerning hours of work.[5]

Satisfactory results were not obtained under the general "fair wage" provision of these first federal work-relief regulations. Accordingly, a more specific policy was promulgated, effective as of August 1, 1933, which established a 30-cent minimum rate and provided that the prevailing rate should be paid in those areas where it was in excess of 30 cents per hour. This prevailing wage policy thus specifically placed work-relief benefits on an hourly basis. At the same time, the maximum number of hours was specified as 8 per day and 35 per week for manual labor and 8 per day and 40 per week for clerical labor.[6]

The number of persons employed on work-relief projects from May through December, 1933, and the average monthly earnings are shown in the following tabulation. Since the budgetary deficiency remained as the measure of earnings, the increase in average monthly earnings is not to be attributed to specific wage policies but rather to such factors as a rise in relief standards.

WORK RELIEF EMPLOYMENT AND EARNINGS
May through December, 1933

Year and months	*Number of persons employed*	*Average monthly earnings*
1933		
May	1,902,000	$13.23
June	1,645,000	13.76
July	1,679,000	12.85
August	1,718,000	13.85
September	1,439,000	15.26
October	1,464,000	16.96
November	1,553,000	13.98
December	167,000	20.77

Source: *Monthly Report of the Federal Emergency Relief Administration*, June, 1936, p. 33.

Civil Works Wage Policies, November, 1933-March, 1934

At the outset of the Civil Works program, the minimum wage policy of the Federal Public Works Administration was adopted, due to the fact that the initial $400,000,000 Civil Works fund was allotted from Public Works balances. These minimum hourly rates are shown in the following tabulation.

[5] See "Rules and Regulations No. 3," *Monthly Report of the Federal Emergency Relief Administration*, June, 1933, p. 14.

[6] See "Rules and Regulations No. 4," *Monthly Report of the Federal Emergency Relief Administration*, July, 1933, p. 11.

Southern zone:	
Skilled labor	$1.00
Unskilled labor	.40
Central zone:	
Skilled labor	1.10
Unskilled labor	.45
Northern zone:	
Skilled labor	1.20
Unskilled labor	.50

Source: "Rules and Regulations No. 1," Federal Civil Works Administration, November 15, 1933, p. 3.

Exceptions were made to the payment of these minimum unskilled rates on highway projects when other rates had been agreed upon by the Bureau of Public Roads and the various state highway departments. The number of hours was limited to 30 in any one week, with provisions for making up time unavoidably lost. Hours in excess of 30 were permitted under designated exceptional circumstances.[7]

A regulation, effective on November 27, 1933, provided in effect for the payment of either the minimum rate or union rates, whichever was the higher. The wage policy was broadened on December 13, 1933, to include semi-skilled rates which were set at the prevailing rates in the locality in which the work was performed.

The wage policy on Civil Works Service projects called for the prevailing wage with a 30-cent minimum. The Civil Works Service program was primarily of a clerical and professional nature and was designed for relief of persons not qualified for Civil Works employment.

On January 18, 1934, maximum hours were drastically reduced to 24 a week in towns and cities over 2,500 population and 15 a week in rural areas. This change in maximum hours was immediately reflected in decreased weekly earnings as seen in the attached table.

Because of the need to reduce expenditures and because of the obvious disparity between the minimum rates and the prevailing rates in many areas, especially in rural regions, the unskilled and skilled minimum rates were abandoned on March 2, 1934.[8] The new policy provided for payment of the prevailing wage in the locality for the type of work performed, but the rate in no instance was to be less than 30 cents per hour. Thus a return was made to the wage policy existing prior to the Civil Works program.

The Emergency Work Relief Program, April, 1934-December, 1935

The Emergency Work Relief Program continued the hourly wage policy in effect at the close of the Civil Works program: payment of the prevail-

[7] See "Rules and Regulations No. 1," Federal Civil Works Administration, November 15, 1933, p. 3.

[8] See *Monthly Report of the Federal Emergency Relief Administration*, February, 1934.

ing rate in each community for the type of work performed with a minimum rate of 30 cents. The 30-cent minimum was abandoned on November 19, 1934, in part because of the disparity between the minimum rate and the prevailing rate. Rates immediately dropped throughout the South where rates of 12½, 15, and 20 cents per hour became common.[9] The uniform

NUMBER OF PERSONS WORKING ON CIVIL WORKS PROGRAM AND AVERAGE WEEKLY EARNINGS, CONTINENTAL UNITED STATES

Week ending	*Number of persons working*[1]	*Average weekly earnings*
1933		
November 23	814,511	$ 9.22
December 14	2,726,167	12.78
1934		
January 18	4,263,644	15.04
February 15	3,787,986	11.63
March 15	2,452,544	13.04
April 12	104,591	18.69
May 17	11,979	24.15
June 14	6,845	25.85
July 13–14	3,345	11.61

[1] Number of persons includes supervisory and administrative personnel.
Source: *Monthly Report of the Federal Emergency Relief Administration*, June, 1936, pp. 37–8.

hour policy was abandoned and a return was made to relief status as the basis of employment and the budgetary deficiency as the measure of total earnings. However, the regulations limited the maximum number of hours to 30 per week and 128 per month. Exceptions were made for special groups.[10]

Prevailing rates were to be ascertained in each community by a Wage Rate Committee consisting of one representative each from organized labor and the local relief administration and a third member from local business or the professions selected by the first two.[11] These committees were fact-finding in nature with no power to enforce their decisions. The local relief administration accepted or ignored the findings of the committee, depending upon local circumstances. Wage decisions of the committee had to be unanimous. When a unanimous decision could not be reached, a new committee was appointed.

[9] See *Monthly Report of the Federal Emergency Relief Administration,* Dec., 1934, pp. 9-10, for a brief discussion of the changes in hourly rates resulting from the abandonment of the 30-cent minimum, and Jan., 1935, pp. 4-7, for a comparison of hourly rates on relief projects in all parts of the country.

[10] See *Monthly Report of the Federal Emergency Relief Administration,* Feb., 1935, p. 11.

[11] *Manual of Work Division Procedure,* Federal Emergency Relief Administration, Nov. 15, 1934.

Experience demonstrated that it is difficult to define the "prevailing rate" in precise terms. Most state relief administrators chose to determine the rate on a county-wide basis. It was recommended that Wage Rate Committees take the following factors into account: union rates, rates on public construction projects, and agreements between trade unions and employers' associations. The committees' task was the discovery of rates then in effect and not the setting of new rates. All complaints on the part of labor, employers, or other interested parties concerning wage rates and other matters were to be referred to a Grievance Committee selected in the same manner as the Wage Rate Committee.

This system of local wage and grievance committees was designed to place the responsibility for determining wage rates in the locality itself on the assumption that innumerable local circumstances would be reflected in the rates agreed upon. The extent to which these committees actually functioned is not accurately known. In many sections the committees functioned satisfactorily; in some areas no attempt was made to organize committees; in others the committees were impotent. Occasionally, the state officials established wage rates centrally. In some states, rates were paid in conformity with state law.

The Wage Rate Committees were the object of much criticism to the effect that many of the rates established were arbitrary rather than prevailing ones. Such criticism pointed to rate differences within states and between adjoining counties where no such differences existed in fact. However, a study of the situation has revealed that the hourly wage rates adopted under the Emergency Work Relief Program in general reflected the local prevailing rates.

Broad geographical differences were observed in the common labor wage rates on work relief, reflecting similar differences in the private wage structure. Work-relief wage rates for common labor also showed a pronounced tendency to vary with the size of the city, as shown in the following table.

Counties in which the population of the largest city is	*Common labor average hourly wage rate*
Under 5,000	$0.29
5,000 to 25,000	.37
25,000 to 50,000	.43
50,000 to 100,000	.43
Over 100,000	.49
All counties	.42

Source: *Monthly Report of the Federal Emergency Relief Administration*, June, 1936, p. 42.

The number of persons employed and average earnings, by months, on the Emergency Work Relief Program under these wage and hour policies are shown in Table I.

TABLE I.—EMPLOYMENT AND AVERAGE MONTHLY EARNINGS ON THE EMERGENCY WORK RELIEF PROGRAM, CONTINENTAL UNITED STATES, BY MONTHS
April, 1934, through December, 1935

Years and months	*Number of persons working during month*[1]	*Average monthly earnings*
1934		
April	1,088,421	$31.06
May	1,361,537	31.35
June	1,504,545	28.20
July	1,725,312	27.45
August	1,924,453	28.54
September	1,952,089	25.81
October	2,000,157	27.01
November	2,165,009	29.13
December	2,303,484	26.95
1935		
January	2,446,266	28.98
February	2,434,573	25.82
March	2,369,605	26.10
April	2,276,185	26.95
May	2,196,653	28.93
June	2,021,089	26.91
July	1,928,772	27.55
August	1,411,462	27.62
September	889,227	23.82
October	645,009	27.58
November	346,137	23.85
December	59,411	26.66

[1] Represents the number of different persons working on a relief basis (earnings limited by budgetary allowance) during the month. Includes relief persons employed on administrative projects.

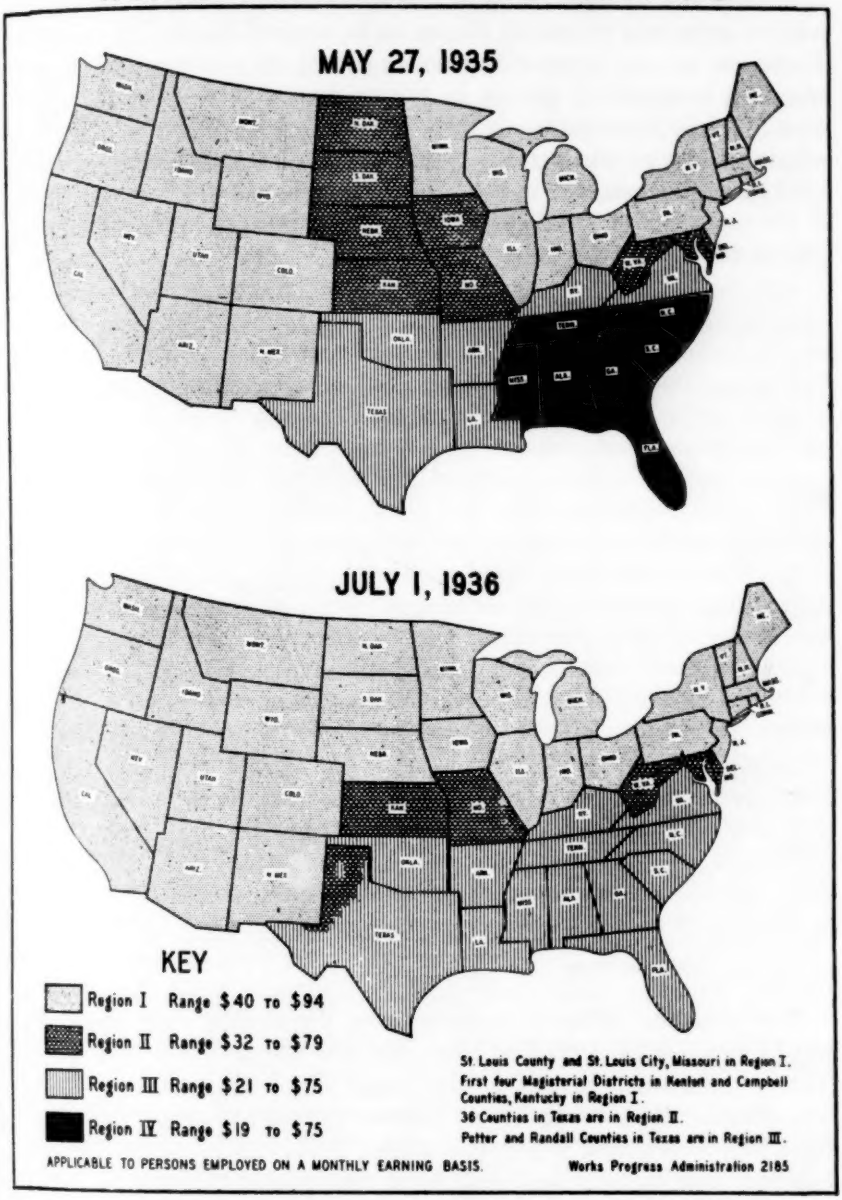
Source: *Monthly Report of the Federal Emergency Relief Administration*, June, 1936, p. 43.

Works Progress Administration Wage Policies, May, 1935-July, 1937

Adoption of the "security wage" by the Works Progress Administration meant abandonment of locally determined hourly wage rates and rejection of the budgetary deficiency as the determinant of earnings. In their place, a predetermined monthly "salary" or security payment was adopted which varied in accordance with broad occupational groups, broad geographic regions and urban-rural areas within each region as shown in Chart I and Table II. The original four regions are shown in the upper map; the lower map shows changes effective July 1, 1936.[12]

[12] Special wage policies have been designed to meet the needs of certain groups, such as workers in camps and young persons eligible to receive National Youth Administration benefits. See *Monthly Report of the Federal Emergency Relief Administration*, June, 1936, pp. 49-50.

WORKS PROGRAM WAGE REGIONS



The determination of this schedule of payments was guided by a number of considerations. First, the average yearly security payment for the country as a whole for all classes of labor was to approximate $600.[18] Second, the security wage was to exceed the amounts received by families on relief. Third, the security payment was not to exceed the earnings paid to corresponding occupational groups in private employment. These conditions were mutually incompatible in those instances where private earnings were extremely low or where relief benefits to large families were above the level of private earnings in the locality. This situation was quite common in the case of large families and in the rural South with its low level of private earnings.

TABLE II.[1]—SCHEDULE OF MONTHLY EARNINGS

Regions	*Counties in which the 1930 population was—*				
	Over 100,000	*50,000–100,000*	*25,000–50,000*	*5,000–25,000*	*Under 5,000*
			Professional and Technical Work		
Region I	$94	$83	$77	$69	$61
II	79	73	66	57	48
III	75	68	62	53	42
IV	75	64	55	46	39
			Skilled Work		
Region I	$85	$75	$70	$63	$55
II	72	66	60	52	44
III	68	62	56	48	38
IV	68	58	50	42	35
			Intermediate Work		
Region I	$65	$60	$55	$50	$45
II	58	54	50	44	38
III	52	48	43	36	30
IV	49	43	38	32	27
			Unskilled Work		
Region I	$55	$52	$48	$44	$40
II	45	42	40	35	32
III	35	33	29	24	21
IV	30	27	25	22	19

[1] See accompanying maps.

The procedure followed in determining the security payment schedule was to establish the unskilled labor payment first and then to apply percentage differentials to derive other rates. The basic unskilled rural rate was determined by a number of factors: agricultural wages and former relief payments served as valuable guides. Some indirect measure of earnings was obtained from the hourly wage rates paid on the Emergency Work Relief Program by multiplying the rates by the estimated number of hours worked per month.

[18] This average was determined in large measure by fiscal considerations.

The establishment of differentials between occupational groups, urban-rural areas, and geographical regions was undertaken with the aid of Emergency Work Relief Program wage data.[14] The differentials observed in these data were assumed to correspond with prevailing differentials. The data were supplemented by other sources.

This schedule of security payments is necessarily an imperfect reflection of innumerable local differences which exist in private employment. Given the policy of a nationally determined and administered wage payment, it was deemed necessary for administrative purposes to reduce the complexity and variety of wage rates and practices to a minimum.

In order to eliminate the rigidity of the security payment schedule, the Works Progress Administration was given power to alter it.[15] Two important types of revision were designed to prevent inequality among workers generally accustomed to the same wage rates: power to redefine any of the security payment regions,[16] and the provision that the monthly earnings applicable to an urban area shall also apply to contiguous urban areas in adjacent counties in the same wage region. Another flexible element was provided by the power to adjust the monthly earnings for any occupational group by not more than 10 per cent above or below the original rate. Still further flexibility was provided by the partial exemption of Works Progress Administration workers from the schedule of monthly earnings.[17]

These devices provided leverage for various groups interested in altering the monthly payments. Significant changes were made in wage regions and rates, and workers were gradually exempted from the monthly earnings schedule. In general, these adjustments were wholly justifiable.

The Works Progress Administration established a range of from 120 to 140 hours per month for the majority of workers, leaving the specific number within this range to be determined by the state administrators.[18] In September, 1935, the lower limit of 120 hours per month was abolished.[19] This change in policy, sought by labor, left labor free to deal directly with the state administrators for an adjustment in hours which would, in effect, permit workers to earn the monthly security payment at the prevailing hourly wage.

[14] See *Monthly Report of the Federal Emergency Relief Administration,* Jan. and Nov., 1935.

[15] Executive Orders 7046, 7117, 7119, 7203, 7204, 7226, and 7296.

[16] A major change in regional grouping was affected as of July, 1936, when all states in Region IV were reclassified and placed in Region III.

[17] Administrative Order No. 33, November 9, 1935, permitted the exemption of a maximum of 10 per cent of the workers on a project from the security payment schedule. This maximum was reduced to 5 per cent by Administrative Order No. 52, effective April 15, 1937, except on "such projects, portions of projects, or activities as the Federal Works Progress Administrator or his authorized representative shall hereafter exempt."

[18] A maximum of 8 hours per day and 40 hours per week was established by the President (Executive Order 7046, May 20, 1935). Exceptions to limitations on hours of work were provided for in the case of emergencies and exceptional circumstances.

[19] Works Progress Administration Administrative Order No. 24, Sept. 19, 1935.

This trend toward adjustment in the number of hours worked in order to approximate the prevailing wage was given legislative sanction by the Emergency Relief Appropriation act of 1936 which provided for "not less than the prevailing rates of pay for work of a similar nature in the same locality."[20] Thus the wage policy of the Works Progress Administration returned to payment of local prevailing rates as under the Emergency Work Relief Program of the Federal Emergency Relief Administration. Monthly earnings, however, continued to be determined by the schedule of monthly payments rather than by the budgetary deficiency.

The security feature in the monthly security payment was abandoned during June, 1936. The original policy provided that workers should be paid for time lost because of weather conditions or interruptions in work beyond the workers' control. The new policy places the monthly payment entirely upon a time-worked basis but allows opportunity to make up time lost for these reasons.

Earnings on the Works Progress Administration program have been well above former relief benefits in the majority of cases. Where families are large, the unskilled security payment has frequently been below the previous relief benefit and considerable hardship has been involved. In such instances, National Youth Administration benefits, surplus commodities, or local relief have often supplemented the inadequate earnings. The monthly security payment to skilled workers has been above the former relief allowance in virtually all cases.

Hourly earnings on all WPA projects from the inception of the program through March 31, 1937, averaged $.465. Rates were lowest in the southern states, ranging from $.240 in Tennessee to $.397 in Maryland. The highest rates were paid in the North and West, Massachusetts leading in the North with $.600 and Montana in the West with $.632. Hourly earnings in New York City averaged $.699.

Data on employment and earnings are presented in Table III.

Summary

Federal work-relief wage policies have been shown to involve various degrees of departure from prevailing wage rates. The "fair wage" policy enunciated at first by the Federal Emergency Relief Administration involved payment of less than prevailing wages in many areas. At the outset of the Civil Works program, wage rates in many instances were well above the prevailing hourly rate. The 30-cent minimum under the Emergency Work Relief Program which followed meant that relief wages were above the levels prevailing in certain rural areas, particularly in the South. The "security payment" as first inaugurated by the Works Progress Administration

[20] Public No. 739, 74th Cong. (H.R. 12624), approved June 22, 1936. The Emergency Relief Appropriation act of 1937 contained the same wage-rate provisions.

meant that a portion of the workers, and particularly the skilled groups, received less than the prevailing hourly rates.

As a rule, disparities between work-relief rates and prevailing rates have not continued for long periods. Both private-employer groups and organized labor have considered work-relief wages as an actual or potential in-

TABLE III.—EMPLOYMENT AND AVERAGE MONTHLY EARNINGS ON PROJECTS OPERATED BY THE WORKS PROGRESS ADMINISTRATION, CONTINENTAL UNITED STATES, BY MONTHS August, 1935, through June, 1937

Years and months	*Number of persons employed*	*Average monthly earnings*
1935		
August	156,856	$33.87
September	376,041	44.12
October	744,634	43.80
November	1,847,309	35.19
December	2,732,160	43.36
1936		
January	2,947,839	45.52
February	3,052,300	46.07
March	3,053,946	48.42
April	2,806,648	49.43
May	2,539,266	51.25
June	2,383,157	52.40
July	2,310,790	52.58
August	2,390,281	52.27
September	2,522,434	51.16
October	2,627,784	51.48
November	2,667,036	51.60
December	2,489,984	50.96
1937		
January	2,242,147	51.25
February	2,253,733	51.52
March	2,215,153	52.81
April	2,198,211	51.76
May	2,133,307	52.62
June	2,019,290	53.02

fluence on private wage rates. As a consequence, wage policies embodying any such disparity have been resisted by these groups. Consideration of these attitudes has played an important part in the formulation of work-relief wage policies.[21]

In general, the effort has been to reduce as far as possible the differences

[21] This question of the possible influence of work-relief wage rates on private wage scales is being investigated extensively by Dr. Edward Berman, labor economist, Works Progress Administration, and his staff.

between work relief and similar work performed by the usual public agencies and by private enterprise. To a certain extent, however, work-relief wage policies attempted to do more than reflect the wage situation as found in the various parts of the country. In many localities, depressed private wage levels made the relief administration unwilling, from a social standpoint, to adopt such wages on work relief. As a consequence, the administration has found itself in the position of attempting to raise wage standards in the low-rate areas.

The adoption of the local prevailing wage on work relief brings to the fore the problem of the efficiency of work-relief labor. The prevailing wage presupposes a productivity of work-relief labor approximately equal to the customary efficiency associated with these rates. Should the efficiency of work-relief labor exceed or fall short of the customary standards, the work-relief wage will in fact be less than or exceed the prevailing rate for the grade of labor employed. Therefore, work-relief wage policies are inextricably bound up with policies relating to the selection of workers and types of projects and with all other factors which influence the efficiency of work-relief. Peculiar difficulties confront work-relief labor, foremost of which is perhaps the relief aspect of such employment. Whereas adjustments toward prevailing wages have been effected in response to objections from various quarters, the demand for the achievement of "prevailing" efficiency has been less articulate.

The wage-policy dilemma of establishing rates that will leave prevailing rates unaffected and at the same time provide a decent minimum subsistence is a persistent one. Experience has indicated that neither employers nor labor groups are likely to accept any policy as a neutral one. No wage policy can fail to give rise to difficulties as long as a large proportion of private employment is characterized by a high degree of insecurity of tenure and substandard wages. In other words, the establishment of a satisfactory wage policy will probably be a desideratum and not an achieved goal as long as the low earnings afforded by work-relief employment are more attractive to many workers than the only private employment that is available to them.

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THE INCIDENCE AND EFFECTS OF TAXATION: SOME THEORETICAL ASPECTS

This treatment broadens the examination of the incidence and effects of taxation to include expenditure as well as payment considerations, whenever the expenditure of revenue from a tax is clearly a function of its collection. This recognition of the influence of public expenditure rests ultimately upon the supply-demand analysis by which the incidence of a tax is usually determined.

A tax that cannot be shifted is found to burden *all* investments ultimately, irrespective of whether it is levied on all investments or only on some. The capitalization of such a tax depends on the influence of the reduced return on saving and hence on the volume of investment.

The effects of a tax may be manifested through its payment, or through expenditure of the resulting revenue, either or both. The payment of a tax may, through the resulting outcome on price, cause less of a given commodity to be consumed, and less to be produced. The expenditure of revenue attached to the collection of a given tax may have effects as various as the uses a government chooses to make of such means.

The incidence of a tax refers not to the payment to the tax gatherer but to its final burden. Incidence is concerned not with him who pays in the beginning but with him who pays in the end. Since taxes are now paid in money, their incidence can refer only to their money burden.

The effects of a tax are to be distinguished from its incidence. They refer not to the monetary burden of the tax but to the social and economic consequences that follow from its imposition. Perhaps an example will make the distinction clear. Let it be said that the tax on liquor is borne by the consumer. That is the incidence of this tax. But with the price of liquor higher, do people drink less? If they do, then the tax can be said to have the *effect* of decreasing drinking. If, on the other hand, people retain their drinking habits but buy more of the bootlegger, then the *effect* of the tax is not to change the amount drunk but to alter the proportion of the bootleg to the legal beverage consumed.

The incidence and effects of taxation are closely related to the subject matter of economics. Nowhere, indeed, is the linkage between public finance and economics closer.

Economics, whatever else it may be, is a study of the money or price aspect of things. Whether the goal pursued be that of description and analysis on the mundane level of the world as it is, or whether it be centered in the nebula of an ideal order, economics must deal largely with prices. In that, it has no choice. Prices are at the focal or near-focal point of economic activity however interpreted. The economist who would reform, as well as the one who is content with description and analysis only, must lay the groundwork of his study in the solid substance of things as they are.

The incidence of a tax, as we have observed, is its final monetary burden. Incidence is then a matter of price; for monetary burdens arrive in price terms or else affect income, the result of price relationships. The price of a thing may be higher or lower because of a tax and the burden of its pay-

ment shifted accordingly, or with the price unaffected the burden may remain on the one who pays the tax. The effects of a tax flow from the price or income changes brought about by its payment, and, in some instances, as will be indicated later, from the expenditure of the resulting revenue. These effects may extend widely and deeply into the economic and social order to questions of crop production, foreign trade, automobile accidents, public health and many other matters. But however far the effects of a tax may extend and however diverse the fields in which these effects are manifested, they follow from the price, income or expenditure results of the tax. This holds true because the sole influence that a tax in itself can exert is monetary in nature. Thus in the analysis of changes in price, income or expenditure brought about by the levy of a tax, economics and public finance are doubly linked—once in determining the incidence, again in finding the effects of the tax.

A tax is a money payment attaching to something enmeshed in the price system or affected by its operations. This obligation may be laid on the first, last, or any intermediate stage in the process of production and distribution; or it may attach to the poll of the taxpayer; to personal possessions; to income. Each of these points of attachment is related to the price system but the connections vary. This fact is of importance in finding the incidence of a tax. The shifting of a tax is a price process, and operates only through the factors that determine price. Accordingly, if a tax be laid at some point but remotely and indirectly connected with the factors bearing on the appropriate price, that tax is difficult to shift, and conversely. A tax can be shifted forward only through an alteration in the supply of the taxed object or the demand for it. If, however, a tax levied at some intermediate stage brings about no change at that point in the supply of or the demand for the taxed object, and consequently cannot be shifted forward, this tax may in some instances be shifted backward to the producers of the raw materials that are used in the manufacture of the taxed object.

The shifting of a tax, in the usual analysis, takes place only through the operation of this payment on the supply of the taxed item. If the supply of such an item is decreased because of the payment of the tax, the price of this item is increased, and thus the tax is shifted forward in some degree. If, on the other hand, the supply remains unaffected, the burden of the tax rests on the producers of the taxed item, except that if it is made from raw materials relatively inelastic in supply, the burden of the tax will be shifted backward to some extent.

The analysis of shifting commonly gives no consideration to the expenditure of the revenues obtained from the tax. Usually there is good reason for this omission. Revenues from most taxes are deposited in the public treasury; intermingled, they constitute a general fund from which a wide

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variety of disbursements for the purposes of government is made. Thus the allocation in dollars of any special change in the supply of or the demand for any given object made by the expenditure of revenue derived from the taxation of this object may well be an artificial task. On the whole, therefore, the current practice of treating public expenditures in a vague and general way and the incidence of taxation in a most particular and specific way, and of never permitting the twain to meet, is probably justified.

There are, however, instances in which the expenditure of the revenue obtained from a tax should be considered in determining its incidence. Such an instance arises whenever the expenditure depends upon the collection of the tax. For if the expenditure of revenue from a tax is linked to its collection, the result of that operation may have a bearing on the incidence of the tax. This view is expressed with the recognized concept of incidence in mind; indeed, it is based on that concept. The current theory assumes, and rightly, that the incidence of a tax is a function of the particular supply-demand relationship determining the price of the taxed object. It then proceeds to find the operation of the tax on the supply, and hence on the price. Thereby the incidence of the tax is determined. But if the expenditure of revenue gathered by a tax affects the supply of or the demand for the taxed object, that influence must also be weighed in finding the incidence of the tax. This conclusion is inevitable—to hold otherwise is to accept the one influence and to reject the other even though both affect the price, the test for finding the incidence. It can scarcely be denied that the expenditure of revenue obtained by the collection of a tax is a factor introduced by the tax, once the dependence of the particular expenditure on the particular tax has been established.

Revenue from the tax on milk levied by New York is expended for advertising, milk recipe booklets, and other publicity calculated to increase the consumption of milk, and by that means to raise its price to the farmer. In the degree, if any, that this program is successful, the incidence of the tax will be affected. The processing taxes illustrate the same point. These taxes were imposed to finance a vast scheme of adjustment designed to lessen the supply of the agricultural commodities affected, and thereby to raise the prices of these commodities to the parity level as defined in the Agricultural Adjustment act. Both the rates at which the processing taxes were levied originally and any changes made subsequently were governed by this fundamental consideration. Thus the incidence of these taxes was clearly affected by the expenditure of the revenue collected from them.

This analysis of ways in which taxes may be shifted should make clear that the process of shifting a tax functions as any other influence bearing on supply and demand, and hence on price. There is nothing distinctive about these consequences of taxation.

The payment of a tax may bring about a contraction of output precisely

as a rising scale of wages, rents or raw material prices may restrict production in an industry not in a position to raise prices correspondingly. For purposes of determining whether a tax will lessen production and thereby be shifted in the form of a higher price, the question in point is whether payment of the tax is a cost of production. If the tax is a cost of production, this cost like all others must ultimately be recouped in the price of the product. If, on the other hand, the tax is not a cost of production, and hence is not attached to the bringing forth of the product, then its payment cannot affect the output and the price of the product.

Inquiry as to the consequences of the expenditure of revenue obtained from a tax proceeds along similar lines. One may ask: Does the expenditure increase the demand for the product in question so that at each price on the schedule more will be purchased? Does it operate to decrease the supply? Or, does the expenditure function to reduce the cost of producing the supply? If the expenditure should have either the first or the second result, the shifting of the tax will be facilitated. Indeed, if the first result should follow, the tax may be shifted in a higher price without a decrease in production. If the third result should derive from the line of expenditure chosen, shifting may be unnecessary owing to the cancellation of payment of the tax by the benefits derived from expenditure of the revenue.

The relationship between the economic concept of cost of production and the public finance concept of tax shifting is made yet closer by consideration of resistances to the adjustment indicated. Thus sometimes goods or services are provided below cost for a long period and yet the supply turned out on such terms shrinks little if at all. There have indeed been instances in which the supply actually increased despite a bleak outlook for recovery of cost. Likewise, the shifting of a tax may in some circumstances require a long period. But no competent economist denies the influence of cost of production. Although fully aware of the lagging adjustment of cost to price, the trained economist recognizes that this adjustment, however slow in the making, must finally arrive. Goods and services are not forever to be offered at a price below their cost. And a tax that is shifted slowly and haltingly is shifted none the less surely. Some adjustments in the economic world, both to cost of production and to taxes, are made immediately; others, slowly. The essential fact, however, is that they are made. The system of price relationships entails adjustment to all price influences whether they appear as costs of production, as tax payments, or as benefits derived from the expenditure of tax revenues.

The outcome on price from the payment of a tax or the expenditure of the resulting revenue is, however, to be found only after consideration of the relationship between the total quantity of the commodity produced or sold, and the quantity produced or sold within the political unit in which the tax is being collected or the expenditure made. This is because the general

economic area within which supply and demand determine the price of the commodity in question, and the specific economic area of the political unit laying the tax and spending the proceeds may not coincide. The market for some commodities is local; for others, national; and for still others, world-wide. There are, however, no world taxes; there are only national, state and local taxes. Thus the degree in which a tax may change the price of a commodity affected by it is not only a function of the elasticity of the demand or the supply, but is also a function of the proportion which the quantity of that commodity produced or sold within the taxing unit bears to the total quantity produced or sold within the market area in which the price is determined. It follows that some taxes cannot be shifted if levied by a local unit but may be if levied by a national government, and that some taxes cannot be shifted at all.

The increased taxes on cigarettes in China, which have recently become effective, illustrate the relationship between the political area laying a tax and the economic area in which the price of the commodity affected is determined. For a number of years better-grade cigarettes in China have been made largely from flue-cured tobacco imported from the United States. The revised schedule of taxation imposes especially steep levies on these grades. American economic observers forecast that as a result of this increased taxation, the consumption of better-grade cigarettes, and consequently of American flue-cured tobacco, will be sharply reduced.[1] This expected decline in the use of our flue-cured tobacco, though significant in China, is small in comparison with the total consumption of this tobacco. The outcome on the price of flue-cured will, therefore, be correspondingly small. The price of better-grade cigarettes in China will, however, be sharply increased.

Suppose, however, that a tax cannot be shifted, what then? Clearly, this burden is borne by the payer. He may bear it as an obligation attached to him personally or to some investment of his capital. If the burden is personal only, nothing further remains to be said regarding the incidence of the tax; the only observations in point refer to the effects. But if the burden is attached to an investment, the possibility of capitalizing it is to be examined.

Let us understand this principle of capitalization; it is basic to the problem under discussion. The value of an investment, be it in land, houses, furniture, stocks, bonds, personal loans, is determined precisely as the value of any salable commodity is determined—namely, by that process of goods offerings and money offers known as the market. Both buyers and sellers have their individual ideas of the incomes to be expected from the investment and the interest rate at which these anticipated incomes are to be discounted. Thereby bids and offerings come to differ. Any general influence will, how-

[1] Press release, *China by Increasing Taxes on Cigarettes Reduces Demand for American Flue-Cured,* U.S. Dept. of Agriculture, April 15, 1937.

ever, affect the market value of an investment through altering these individual bids and offerings. Thus a generally lower level of interest rates will result in a higher value unless counterbalanced by a decline in expectations as to income. Likewise, more hopeful expectations are reflected in an increase in value, save as interest rates may rise. With each influence viewed as distinctive, the capitalization problem is relatively simple of solution. The difficulty, however, is that interest rates and expected incomes from investment are not rightly to be treated as distinctive each from the other. Incomes from investment through their promise of future provision may have a bearing on saving, and hence on interest rates. And an increase in saving and consequently in investment, irrespective of the explanation therefor, has a bearing on investment incomes.

The application of this explanation to taxation is clear. Future incomes from investment are altered in the degree that they are burdened by taxes or augmented by the expenditure of tax revenue. Thus the question arises whether the value of these investments is changed correspondingly, that is, whether a tax on them is *capitalized,* or whether its outcome is on interest rates only.

The covering of the tax affords a beginning to this analysis. If the tax attaches to part only of the total of investments, it alters the advantage of investing in the taxed portion of the field relatively to investing in the untaxed portion. Thus if a tax of 2 per cent is laid on some investments, and this payment is not cancelled by any special benefit from expenditure of the revenue thereby obtained, these taxed investments offer a correspondingly lower return. Investors will, therefore, prefer to put their money elsewhere. This resort to the untaxed portion of the investment field is the mechanism for capitalization. The value of the taxed investments will fall until the tax is compensated for, and consequently a matter of indifference to investors. Thus a tax on some investments becomes ultimately a burden on all investments, for all rates of return decline in some degree. If the covering of the tax is complete, that is if *all* investments are taxed, the effect on rates of return is direct. All rates decline by the amount of the tax.

The question now, for purposes of the problem of incidence, is what will happen to the value of investments under these circumstances. We have observed that if the tax attaches to part only of the investment field, the value of that part must fall under this burden until rates of return in the taxed portion are equalized with rates of return in the untaxed portion. More fundamental, however, is the problem of what will happen to the value of investments in general whether the rate of return on them shrinks slightly owing to the taxation of some investments, or greatly upon the imposition of a tax on all investments.

This problem may be approached through an examination of the essential meaning of an investment. All sources of future income that depend

on human endeavor come into being as a result of a choice between the present and the future. The provision of furniture, houses, automobiles, factories, as well as of personal loans for any purpose, depends on refraining from present consumption in favor of future income. The farmer who stops the ditch that is ravaging his acres instead of picking blackberries for his table is thereby manifesting a preference for future income. The wage earner or professional man who puts by a portion of his earnings for the purchase of stock, a radio, or an automobile is to that extent preferring future income to present consumption. The things that he buys cannot be consumed at once as food, drink or entertainment are consumed. The banker who creates a deposit credit does so for the sake of the interest return arising from this transaction. On being assured that the principal is safe, he is glad to make the loan. In fact the institution of banking is set up to make choices between the present and the future effective. One may borrow to serve the purposes of either if only the security offered be adequate. The banker will lend alike to the spendthrift heir, and to the merchant who must stock his shelves. The banker, however, as a representative of his institution, prefers the future, unless the hazard of lending be too great. The original investment in the banking business was a choice in favor of the future. Funds that might have been spent for immediate consumption were invested in bank stock for the sake of an expected return. And income in banking is mainly to be had by making loans and investments.

In this analysis, it is not intended that a preference for either the present or the future be attributed to persons in general. The thought here is to indicate the balance between the present and the future that runs through economic activity. All persons must spend part of their income for immediate or nearby satisfactions. There is no escape from bodily needs for food, clothing and shelter; and in some degree for each of us, there is likewise no avoidance of social needs. Some persons, however, choose to spend all their income in pursuit of early satisfactions. Others, either individually or through institutions they have set up, prefer to invest part of their income for a future return. Spending and saving contest the disposition of the incomes of these persons. As a result, there comes to be, at any given time, a ratio between the present and the future in respect to the provision for each.

The answer to the problem of determining the bearing of a lower rate of return on the value of investments would seem then to depend upon the influence of the reduced return on saving and hence on the volume of investment. If saving were to continue as before, investment would be maintained. It follows that the incomes from investment would remain as before. The tax would simply continue to burden the rate of return. If, on the other hand, the effect of the tax were to decrease saving, investment would decline also. With the exception of land and other "gifts of nature," there would be fewer long-time production or consumption goods, fewer

loans of all sorts outstanding. The incomes from investment would increase. Interest rates would rise. Their increase might conceivably be sufficient for the return, clear of the tax, to be as before. These increased rates of interest would subject investment incomes to a more severe marking down. In consequence, the capital value of all investments would fall. The tax would be capitalized.

The next matter for examination is the effects of taxation. These effects, as has been pointed out, refer to the changes, other than in price, brought about by a tax.

Let us begin by noting a distinction in the relation of taxes to revenue. Revenues from most taxes are expended for the general purposes of government. Once deposited in the public treasury, these revenues are no longer identified with particular taxes. It follows that their expenditures, and consequently the effects of these expenditures, are likewise not to be attached to the collection of particular taxes. The results of taxes that provide general revenue are therefore confined to the changes in price brought about by their imposition. Certain taxes, however, provide revenues for specific as distinguished from general purposes. The results of such taxes include also the effects of expenditure made possible by their revenue. This is but an application of the argument for considering expenditure in the analysis of the incidence of these taxes. If the expenditure of revenue from a tax when linked to the collection of that tax may bear upon its incidence, then clearly any effects of an expenditure that is linked to the collection of a tax may be viewed as effects of the tax. Acceptance of the one position entails acceptance also of the other. Thus the effects of taxation may be manifested through their payment or through expenditure of the resulting revenue, either or both.

The first type of effect may be illustrated by reference to demand and supply scales as these function under the price system. A demand scale may indicate that with a great fall or rise in price only a relatively few units more or less, respectively, would be bought; or it may point to a more significant outcome. Expressed in other terms, demand curves may slope steeply or gradually, thereby indicating slight or great changes in the amount that would be purchased in relation to the price. But—and this is the important point—a demand curve is never perpendicular; it never indicates that the same quantity would always be purchased irrespective of changes in price. The curve of purchasing always has some elasticity. Less is bought as the price rises, more as the price falls. Thus if a tax raises the price of a commodity, less of that commodity will be consumed. It is probable also that more of some other commodity made cheaper relatively by the taxation of the first commodity will be used. These effects may be good for the social welfare, or the reverse. The point for notation here is that they

derive from the tax, and that any appraisal of the desirability of a given tax ought to consider them.

An increased price brought about by the payment of a tax also has effects on the supply side. If less of a commodity is bought, clearly less will be produced. Fewer laborers will be employed, a smaller quantity of raw materials will be needed, and less use will be made of transportation facilities. More of some competing product, if such be available, may be made. This increase will exert effects the reverse of those attaching to a decrease in production. The net change on work and welfare may be good or bad.

Reference has been made to the increased taxation of cigarettes in China. The probable results of the sharply graduated scale of rates adopted, as forecast by American economic observers on the spot, illustrate both the demand and supply effects that follow from payment of a tax. As has been mentioned, it is believed that, owing to the higher price deriving from the tax, the consumption of better-grade cigarettes will decline substantially. On the supply side, this reduction means the employment of fewer laborers and the processing of a smaller quantity of high-grade tobacco into cigarettes. The consumption of Chinese-grown tobacco and its manufacture into cigarettes will, however, be encouraged by the new rates of taxation, which favor the low-grade domestic product.

But suppose the tax is absorbed by the payer and in consequence no price rise can appear. Even so, the payment of the tax will have outcomes immediate and remote. The lessened income of the taxpayer will affect his saving and investment, or the quantity of goods and services that he purchases. These results will in turn influence employment, fabrication of raw materials and use of transportation facilities. As in the instance of increases in price, these effects may be small or great, desirable or the reverse. The matter in point is that they appear. The effects of a tax are interwoven with its incidence.

The second type of effect is not so easily set forth. Operating through expenditures attached to the collection of given taxes, its manifestations are as various as the uses that a government chooses to make of such means. The New York tax on milk, and the processing taxes which have already been cited in other connections, will serve also to illustrate the effects of taxation that operate through expenditures. In the degree, if any, that the advertising of milk by the New York State Bureau of Milk Publicity actually increases its consumption, a chain of effects will follow ranging from the change in the diets of consumers to the maintenance of larger herds of dairy cattle in the New York milk shed, and the purchase of more carloads of feed from the Middle West. The processing taxes, through benefit payments to farmers as well as through such increases in the prices of farm products as the reduction programs financed by these payments brought about, undoubtedly exerted a variety of effects on the economic order. In

general, retail sales to farmers increased, and the agricultural credit situation was improved. On the other side, it is doubtless true that fewer of certain agricultural commodities, notably cottonseed and hogs, were processed, and that the sales of some products to city consumers decreased on account of the higher prices resulting from the processing taxes or the crop reduction program.[2]

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[2] It is always difficult to know the source of one's ideas. And the more one's thought advances from the level of repetition to the treacherous slopes of economic analysis, the more uncertain the origin of this or that position or argument becomes.

The following sources were, however, useful in preparing this study: H. G. Brown, *The Economics of Taxation* (Henry Holt); T. S. Adams, "Tax Exemption through Tax Capitalization a Fiscal Fallacy", *Am. Econ. Rev.*, June, 1916; E. R. A. Seligman, "Tax Exemption through Tax Capitalization," *Am. Econ. Rev.*, December, 1916; and H. J. Davenport, footnote on the Adams-Seligman controversy in "Theoretical Issues in the Single Tax," *Am. Econ. Rev.*, March 1917. The reader will also note the reliance on Davenport's interest theory and capitalization doctrine.

AMERICAN LABOR RELATIONS ACTS

The fundamental purpose of the Railway Labor act, the National Labor Relations act, and the various state labor relations acts, is to make the legal right of the workers to organize and bargain collectively through representatives of their own choosing an effective right which employers are obligated to accord. The Railway Labor act led the way, followed by the National Labor Relations act, for industries affecting the flow of interstate commerce, and these were followed by the acts of five states for intrastate commerce. The employers must bargain collectively in good faith with representatives of the majority of their workers, and may not discharge or discriminate against a worker because of membership or activity in a union. Nor may they dominate, interfere with, or finance, any labor organization. The workers are to be left free to choose their own representatives. The power given to the National Labor Relations Board to define the unit for collective bargaining has involved it in the contest between the C. I. O. and the A. F. of L. Although employers are required to bargain collectively if a majority of their workers demand it, they are not required to reach an agreement. In the railway act and in some of the state acts, provisions for mediation are strengthened. Various proposals are being advanced to broaden the acts by restraining the unions from alleged unfair labor practices, etc.

I

The Situation Prior to 1933

Prior to the passage of the National Industrial Recovery act in 1933, the employed workers of this country had the legal right to seek collective bargaining by lawful means, but there was no reciprocal duty for the employers to accord it. The workers, therefore, had to win collective bargaining almost solely through such economic strength as they were able to muster, except in those comparatively infrequent cases where it was granted voluntarily by the employers. When, however, the employer wished to prevent *bona fide* unions of workers from gaining sufficient strength to establish collective bargaining, he was in general privileged to use the following methods: (1) He could refuse to meet in conference with representatives of the workers or to discuss the issues at stake. (2) He could discharge, demote or discipline workers in his employ who were active in promoting the cause of the union. (3) He could persuade, advise and threaten employees with possible consequences in order to induce them either not to join a union or to give up their membership therein. (4) He could establish, as one of the conditions for obtaining or retaining employment, the signing or acceptance by employees of so-called "yellow-dog contracts," in which the latter agreed not to join or retain membership in a union or to enter into negotiations with union representatives. By the celebrated Adair and Coppage decisions,[1] federal and state statutes making the imposition of such yellow-dog contracts by the employers a misdemeanor had been declared unconstitutional by the United States Supreme Court as violating the Fifth and Fourteenth Amendments by taking "life, liberty and property without due process of law." Furthermore, by the decision of the Supreme Court in the Hitchman case,[2] the existence of a yellow-dog contract was de-

[1] Adair *v.* United States 208 U.S. 161, 1908; Coppage *v.* Kansas 236 U.S. 1, 1915.
[2] Hitchman Coal and Coke Co. *v.* Mitchell *et al.* 245 U.S. 232, 1917.

clared to be sufficient grounds for employers to obtain injunctions which would restrain unions and their officers from approaching workers who had accepted such contracts. This latter privilege was, however, somewhat lessened by the Norris-LaGuardia act of 1932,[3] which was passed in the final year of the Hoover administration. (5) He could carry on either directly or indirectly espionage work concerning the activities and plans of his employees and of union members and agents. (6) While open blacklisting was commonly regarded as illegal, employers were in general privileged to inform each other upon request about the work records of past employees, and to include in such information statements concerning union activity, etc. (7) He could create, foster, finance and aid organizations confined to his own workers as an alternative to "outside" unions, and thus help to win away some workers from them.

It will be seen, therefore, that it was a difficult matter for workers to organize effectively and actually to bargain collectively if their employers were fundamentally opposed to such action. The power of the employers was indeed such that over large areas of American industry workmen were afraid to unionize, lest in doing so they should lose their present and endanger their future jobs.

This situation has been greatly changed by four legislative steps of recent years—namely: (1) Section 7A of the National Industrial Recovery act which, although not adequately implemented so as to protect workers from the possible consequences of their organizing and attempting to bargain collectively, did none the less offer labor distinct encouragement to unionize. (2) The Railway Labor act of 1934.[4] (3) The Wagner National Labor Relations act of 1935,[5] which was designed to correct the weaknesses which had become evident in Section 7A and in the 1934 resolution setting up the first National Labor Relations Board.[6] This act not only grew out of the experience accumulated in this connection, but it was also partially modelled on the railway act of the preceding year. The validation of its constitutionality by the Supreme Court in a series of cases[7] decided in the spring of 1937

[3] Public No. 65, 72nd Congress (H. R. 5315), 1932.

[4] Public No. 442, 73rd Congress (H. R. 9861), 1934.

[5] Public 198, 74th Congress (S. 1958), 1935.

[6] Public Resolution No. 44. Approved June 19, 1934 (48 Stat. 1183). This resolution did not define any set of unfair labor practices, but merely authorized the boards which the President might set up, to certify groups which represented the workers for collective bargaining, and authorized them to hold elections if necessary to determine whom the workers really wanted to represent them. This resolution grew out of a bill drafted by Senator Wagner and introduced in March of that year, which was the forerunner of the act passed a year later. For the nature of this early bill, and the hearings upon it, see *Hearings before Committee on Education and Labor of U. S. Senate,* 73rd Congress, 2nd Session, on S. 2926, 1028 pp. (parts 1-2).

For the activities of the first National Labor Relations Board, see its *Decisions, 1934-35,* vols. i and ii.

[7] The Associated Press *v.* The National Labor Relations Board; Washington, Virginia and Maryland Coach Co. *v.* The National Labor Relations Board; National Labor Re-

has, of course, made this Act of such great significance that it bids fair to be a landmark in the history of labor relations in this country. (4) The labor relations acts which have recently been passed by a number of states and which will subsequently be described.

II

The Railway Labor Act of 1934

In 1926, the railways and the railway unions jointly agreed to scrap the labor provisions of the 1920 Transportation act, which had emphasized arbitration by a national board instead of mediation, but which had not provided any weapons of enforcement. The new Act[8] stressed instead the three following points. (1) The carriers on the one hand and the employees upon the other should "exert every reasonable effort to make and maintain agreements concerning rates of pay, rules, and working conditions." Collective bargaining was, in other words, to be the normal procedure in the attempt to arrive at mutually satisfactory conditions.[9] (2) The railway employees were to be free to designate individuals or organizations to represent them without "interference, influence or coercion" on the part of the railways. No specific penalties were, however, attached to these prohibitions, and it was still possible for the carriers, by reason of their control over the jobs, to prevent a considerable percentage of workers from being represented by *bona fide* unions. One step toward closing this loophole was taken in 1930, when the United States Supreme Court ruled that interference by the roads with the choice of representatives could be enjoined in equity proceedings.[10] (3) The final main feature was to provide public facilities for mediation if the two sides, despite the process

lations Board *v.* Jones and Laughlin; National Labor Relations Board *v.* Fruehauf Trailer Co.; National Labor Relations Board *v.* Friedman-Harry Marks Clothing Co. 301 U.S., 1-147, 1937.

[8] Chapter 347, 69th Congress, 1st Session, 1926.

[9] See two excellent articles by Otto S. Beyer, a member of the present National Mediation Board, which properly emphasize this point. "Collective Bargaining under the Railway Labor Act," *Labor Information Bulletin,* vol. iv, no. 2 (Feb., 1937), pp. 1-3; "What Engineers Should Know about the Labor Problem," *Railway Clerk,* vol. 36, no. 9 (Sept., 1937), pp. 392-93; 407-409.

[10] Texas and New Orleans Railroad Co. *v.* Brotherhood of Railway Clerks 281 U.S. 548. This decision was handed down by a united court, except that Justice McReynolds did not sit in the case. It contained some very important statements which were not widely noticed at the time, but which were significant in the light of future developments. "It has long been recognized that employees are entitled to organize for the purpose of securing the redress of grievances and to promote agreements with employers relating to rates of pay and conditions of work. Congress was not required to ignore this right of the employees but could safeguard it and seek to make their appropriate collective action an instrument of peace rather than of strife. Such collective action would be a mockery if representation were made futile by interferences with freedom of choice. Thus, the prohibition of Congress of interference with the selection of representatives for the purpose of negotiation and conference between employers and employees instead of being an invasion of the constitutional right of either was based on a recognition of the rights of both."

of collective bargaining, were unable to agree. Included in this was provision for temporarily preventing a stoppage, which promised to affect interstate commerce pending the investigation of the dispute by a national body.

In March, 1933, certain sections of the Bankruptcy act[11] expressly forbade judges, trustees, or receivers in charge of the affairs of bankrupt railways to (1) interfere "in any way with the organizations of employees or to use the funds of the railroad under his jurisdiction, maintaining so-called company unions, or to influence and coerce employees in an effort to induce them to join or remain members of such company unions"; (2) require employees to sign so-called "yellow-dog" contracts, or if such contracts had previously been signed to declare them inoperative. These provisions were taken over almost verbatim in the Emergency Railroad Transportation act, which was drafted by Coördinator Eastman and passed by Congress in June of 1933, and were extended to all railroads and not merely to those under receivership.[12]

Then in 1934 came a thorough revision and strengthening of the principles of the preceding acts.[13] The right to free collective bargaining was affirmed; and it was made unlawful and punishable by fine, imprisonment, or both, for carriers[14] or their officers and agents (1) "to interfere in any way with the organization of its employees," (2) "to influence or coerce employees . . . to join or remain or not to join or remain members of any labor organization," (3) "to use the funds of the carrier in maintaining or assisting or contributing to any labor organization, labor representative, or other agency of collective bargaining, or in performing any work therefor"; (4) to "require any person seeking employment to sign any contract or agreement promising to join or not to join a labor organization." If such a "yellow-dog" contract had been signed prior to the Act, then it was to be declared by the carriers as no longer binding upon the employees. It will be noted that teeth were put into the enforcement of these provisions by the enforcing clause. Similarly (5) no carrier was to deduct the membership dues or assessments of any labor organization from the pay of its workers, or assist in any such collection. While this struck at the practice followed in the case of some so-called "company unions," it also reciprocally barred the "standard" railway labor unions from obtaining the check-off system. Fi-

[11] Public No. 420, 72nd Congress. Approved March 3, 1933. Sections 77 (O) (P) and (Q). It was also provided that receivers, etc., should not change wages and working conditions except in the manner outlined by the 1926 act or by the 1932 agreement between the national railroad labor unions and the Class I railroads.

[12] Chapter 91, 73rd Congress, 1st Session (Public No. 68, S. 1580), 1933.

[13] Public No. 442, 73rd Congress (H. R. 9861), 1934.

[14] Express and sleeping-car companies are definitely included, as were all services other than trucking "in connection with the transportation, receipt, elevation, transfer in transit, refrigeration or icing, storage and handling of property transported by railroad." By an amendment of 1936, commercial aviation was included except for providing another board of adjustment. Street, inter-urban or suburban electric lines were, however, excluded.

nally (6) the Act provided that "the majority of any craft or class of employees shall have the right to determine who shall be the representatives of the craft or class for the purposes of this Act." This not only provided for the principle of majority rule but also for that of craft unionism, which had already become firmly imbedded in the railways by the type of organization developed both by the four brotherhoods of operating crafts and by the A. F. of L. railway union.[15]

The Act created the National Mediation Board of three members, to certify groups commanding such a majority as the collective bargaining agencies for their craft or class, and to help mediate disputes arising out of new contracts and out of changes in wages, hours and working conditions. If it was unable through mediation to get the parties to come to an agreement, it was to use its best offices to get them to submit their dispute to arbitration[16] —although neither side was obligated to do so. Finally, should such arbitration be refused and if the dispute threatens "substantially to interrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation service" the Board must notify the President who, at his discretion, may appoint an emergency board to investigate the facts and report within thirty days. During this period and for thirty days thereafter, no change—except by agreement—was to be made in the conditions out of which the dispute arose.[17] It will be seen, therefore, that the Act does not provide for compulsory arbitration, but instead for conciliation and, if necessary, investigation together with a mandatory cooling-off period. It bases all this, however, upon the free organization of labor backed by guaranties that this will not be interfered with by economic coercion upon the part of the employers. In the attempt, therefore, to reduce strikes and lockouts, the Act seeks to remove the question of collective bargaining as a cause for industrial strife by making it mandatory if desired by the workers, and by surrounding the negotiations and terms of employment with such provisions for conciliation, mediation, investigation, etc., as will at least minimize the ultimate possibility of an interruption of work.[18]

[15] It was also specifically stated that "no occupational classification made by order of the Interstate Commerce Commission shall be construed to define the crafts according to which railway employees may be organized by their voluntary action nor shall the jurisdiction or powers of such employee organizations be regarded as in any way limited or defined by the provisions of this Act or by the orders of the Commission." Title I, Section clause (5).

[16] If arbitration is agreed to, then each side selects one or two arbitrators and they try to agree upon an equal number of neutral members. If this cannot be done within fifteen days, the Mediation Board names them.

[17] This was also contained in the 1926 Act (Sec. 10).

[18] The constitutionality of the 1934 amendments of the Railway Labor act was upheld by a unanimous opinion of the court in Virginia Railway Co. *v.* System Federation No. 40, 300 U. S. 515 (March 29, 1937). It was declared that "the statute does not undertake to compel agreement between the employer and employees but it does command those preliminary steps without which no agreement can be reached." Refusal of roads to bargain collectively with duly certified representatives of the majority of a given craft, or

To adjust individual grievances and disputes concerning the interpretation of an agreement once it was made, a National Railroad Adjustment Board of thirty-six members was set up, half of whose members were named by the carriers and half by the standard national railway organizations. This board can either decide such cases itself, or select a referee to do so.

During the first two years of its work, the Mediation Board disposed of 213 cases concerning representation which involved approximately 148,000 workers.[19] In a considerable percentage of these cases, the board decided on the basis of the relative number of signed authorizations to act for purposes of collective bargaining; but in 140 cases elections were held. The board at first ruled that it would certify only when an organization polled in the election a majority of all those *eligible* to vote; but in the Nashville, Chattanooga, and St. Louis case,[20] it reversed this ruling and held "that where a majority of the eligible voters participate in the election and all are given opportunity so to vote, a majority of the legal votes cast will determine the right to certification."

In the choice of representatives, organizations were almost exclusively voted for, rather than individuals. In the elections, the national "standard" labor unions in general (although not universally) won over the "system associations" which were more or less an outgrowth of the former "company unions,"[21] so that the Board in its second annual report stated: "Gradually the representation of the employees on most of the roads is being taken over by the national labor organizations. The system associations are disappearing, and the unionized employees are voting for representation by the national labor organizations."[22] Disputes between the standard unions over jurisdiction are, however, still common.

III

The Wagner Labor Relations Act of 1935

In brief terms, this Act provided that in industries which affected "the flow" of interstate commerce,[23] if the workers wished to unionize and bar-

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interference with such choice could be restrained by injunction, while the concept of interstate commerce was broadened to include "back shop" employees.

[19] See *First Annual Report*, National Mediation Board (1935), p. 15, and *Second Annual Report, ibid.*, p. 7.

[20] Case No. R-170. This had been preceded by a decision of a U. S. District Court, which was upheld on appeal, permitting such procedure. Virginia Railway Co. *v.* System Federation No. 40, Railway Employees Dept. A7.

[21] It will be remembered that this was a burning issue in the case of the Pennsylvania and other railroads during the years 1921-22. In 1934-35, 72.4 per cent of the employees, where such a dispute arose, voted for or chose the national labor organizations; and 58.3 per cent in 1935-36. In accordance with the principle of majority rule, the national labor organizations won a larger percentage of the certifications—namely, 86 per cent for 1934-35 and 78 per cent for 1935-36.

[22] *Second Annual Report*, National Mediation Board (1936), p. 9.

[23] Agriculture, domestic service in the home, and those employed by parent or spouse

gain collectively or act for purposes of mutual aid, they must be left free to do so in fact, as well as in law. That is, employers must agree to bargain exclusively on such basic questions as wages, hours and conditions of employment, with that group which represented the free choice of the majority of the workers. The purposes behind this were at least two: (1) To reduce strikes waged to compel employers to deal collectively with the workers. This had been the primary cause in 18.8 per cent of the strikes between 1881 and 1905, while in 4.5 per cent it had been a contributory cause. From 1919 to 1934 inclusive, it was the primary cause in 24.5 per cent of the strikes. In 1933, it accounted for 29 per cent, and in 1934, according to a classification which was not precisely comparable, 46 per cent.[24] (2) To strengthen unionism as an agency for improving the condition of the workers.

Collective bargaining was not, of course, to be forced upon the workers if they did not want it; but it was to be theirs if a majority actually desired it. The provision that the genuine representatives of a majority of the workers should have the exclusive right to deal with the employer on the basic issues of employment was adopted after unsatisfactory attempts had been made in the automobile and other industries to permit employers to deal with two or more labor organizations on these issues. As the first National Labor Relations Board pointed out in its decision in the celebrated Houde case,[25] this permitted the employer, by granting concessions to one group which he would not grant to the representatives of another, virtually to determine which organization would survive and flourish. For, when the workers found that one organization could not get results from an employer and that another could, there was a natural tendency for them to join the group which could get the favors, even though that group was not their own first choice. Since the basic conditions of employment applied to all, it was thought proper that these terms should be negotiated by those most nearly representative of the group as a whole. Following the example of political democracies, this was thought to be the majority.[26] It might, of course, still have been possible to have one committee which would deal with the employer, so that an ostensible united front would be obtained for labor, but for this committee to be selected, however, according to the principles of proportional representation. This would have given representation

as well as government employees and those covered by the Railway Labor act, are, however, specifically excluded.

[24] See National Labor Relations Board, *Governmental Protection of Labor's Right to Organize* (1936), p. 105. There were 23,715 recorded strikes from 1919 to 1934, inclusive, of which 5,836 were primarily waged for recognition.

[25] *Decisions of* (first) *National Labor Relations Board,* vol. i, pp. 35-40, in matter of Houde Engineering Co. and United Automobile Workers Federal Labor Union Local 18,839, 1934.

[26] This, of course, follows the political doctrine of Rousseau as stated in his *Contrat Social.*

to each group in proportion to its strength. This system is desirable for legislative political bodies where there is a fundamental desire on the part of the parties, despite their differences, to coöperate in the basic processes of government.[27] This principle does not, however, apply in the choice of an executive. Since it is the function of the executive to act, once a decision has been made, it is necessary that this decision be put into effect with a united will and without division of purpose. Since a collective bargaining agency is indeed more of an executive agency than it is a legislative body, majority rule is, therefore, fundamentally more applicable to it than is proportional representation.

But while the Act provided that the representatives of the majority were to have the exclusive right to represent the workers in such matters as wages, hours and other basic conditions of employment, individual employees and minority groups were, nevertheless, to have "the right at any time to present grievances to the employer."

The principle of majority rule, in order to be effective, requires an agency and a method to determine who actually represents the choice of the majority. This power is given by the Act, as it was by the joint resolution of the preceding year, to the National Labor Relations Board. This body is given the power to decide in each case whether "the unit appropriate for the purposes of collective bargaining shall be the employer unit, craft unit, plant unit, or subdivision thereof." It is also authorized in case of a dispute as to where the real majority lies to hold a hearing on the matter and either to "take a secret ballot of employees, or utilize any other suitable method to ascertain such representatives." It should be noted here that it is not mandatory for the Board to order and conduct such an election, but that it may use other methods if it deems those sufficient. The provision for an impartial election, however, affords a more or less definitive method of settling such a controversy and of determining precisely whom the workers want to represent them. The Board has in practice decided that a majority of votes cast determines the issues, even though these are not a majority of those eligible to vote.

In addition to this, certain of the powers formerly possessed by employers which could be used by them to prevent their employees from unionizing and bargaining collectively, were declared to be "unfair labor practices," in which it was illegal for them to indulge and from which they could be restrained. As is well known, these unfair practices are five in number—namely, for an employer:

(1) To refuse to bargain collectively with the authorized representatives

[27] For earlier articles by the present author which discuss the merits of this system, see Douglas, "The Necessity for Proportional Representation," *International Journal of Ethics*, vol. xxxiv (1923), pp. 6-26; "Proportional Representation versus Occupational Representation," *American Journal of Sociology*, vol. xxix (1923), pp. 129-157.

of his employees.[28] This provision helps to transform the nominal right of the workers to collective bargaining into an effective right. For when the majority of the workers demanded such a right, it was made obligatory upon the employers in the included industries to accord it.

(2) "To interfere with, restrain or coerce employees" in the exercise of their right to unionize and bargain collectively.

(3) To encourage or discourage membership in any labor organization by "discrimination in regard to hire or tenure of employment or any term or condition of employment."

These two latter prohibitions struck at the employers' power to use his control over a worker's job as a means of preventing or deterring him from unionizing and trying to bargain collectively. They aimed to free the worker so that he could exercise his legal rights without the fear that he would, therefore, be subject to discrimination or discharge. An employer was, of course, still free to discharge workers on other grounds, provided that these were genuine and not fictitious reasons; but he could not do so for union membership or activity. These clauses also obviously outlawed the yellow-dog contract whether in an explicit or implicit form.

Closed-shop agreements made with *bona fide* labor organizations representing a majority of the employees were, however, exempted from the provision of the above prohibition, provided that the labor organization was not established, maintained, or assisted in any way by the employer.

(4) "To dominate or interfere with the formation of any labor organization or contribute financial or other support to it."[29] This was to enable the workers to select their own representatives and to choose such type of organization as they deemed best. The employer was to keep his hands off. Otherwise, the ostensible representatives of the workers might also represent the employers, and hence would tend to serve "adverse interests." This is contrary to a basic principle of legal ethics which requires an attorney to represent only the interests of his client and not to serve at the same time the interests of those with whom his client is in litigation. Since the employers can be trusted to represent their own interests, this prohibition was intended to safeguard similar interests of the employees and to result in the meeting of genuine representatives of both sides. It was designed to prevent the employer from dealing with himself on both sides of the table.

While company dominated and fostered unions were thus outlawed, independent unions confined to a single plant or company were not prohibited, provided that they sprang from the free and genuine choice of the workers.

(5) "To discharge or otherwise discriminate against an employee be-

[28] This was the fifth unfair practice enumerated in the Act.

[29] The employer might, however, permit employees to confer with him during working hours without loss of pay.

cause he had filed charges or given testimony under the Act." This prohibition was obviously needed if the Act was to be effective.

A previous crucial weakness in both the National Labor Board, which operated in connection with Section 7A of the N.R.A., and the first National Labor Relations Board, had been that they were virtually destitute of any effective means for enforcing their decisions. A big step toward meeting this difficulty was made by granting to the Labor Relations Board the same powers of issuing cease and desist orders (Sec. 10) which had been fairly successfully used by the Federal Trade Commission in connection with unfair trade practices. It could do so only after a complaint had been made to it and a hearing had been held before the Board or a representative of it. After reviewing the testimony and such further evidence or argument as it adjudged proper, the Board could then issue its orders. If the employer was found guilty of an unfair labor practice, a cease and desist order could be issued against him. The Board could also require him to take certain affirmative actions. These would include the reinstatement of employees, either with or without back pay as the Board might decide, who had been discharged or discriminated against in violation of the provisions of the act. It might also, of course, order an election within an appropriate jurisdiction and certify a group as the chosen representative of the majority of the workers.

To lend effective strength to its decision, the Board could ask the federal Circuit Court of Appeals in the district in which the offense took place for an enforcing order. The Court was ordinarily to consider only objections which had been argued before the Board; and the Board's findings of fact, "if supported by evidence," were to be conclusive. Similarly, an aggrieved party had the right of equal recourse to the courts. In both cases, however, such resort to the courts was not to constitute a stay of the Board's order unless specifically ordered by the Court. If the rulings of the Court were disobeyed, the violators could be punished under the procedure of contempt of court.[30] The Board was given full investigatory powers (Sec. 11), and anyone who resisted, impeded or interfered with any member of the Board or one of its agents was liable to fine or imprisonment or both (Sec. 12). The Board itself was to consist of three members appointed by the President for overlapping terms of five years.

Two final features should be noted. The first was that it was expressly

[30] Legal precedents are developing to indicate that the courts are likely to issue orders recalling firms which have moved or taken a different name in order to escape putting into effect collective agreements or labor board rulings. See decision of Judge McCook of the New York Supreme Court, issued on December 30, 1936, in the case of Dubinsky and Kapp *v.* Blue Dale Dress Co., Bertha and Gertrude Fishman, and Eli Goldstein; and the cases cited in the brief of the plaintiff, pp. 79-83; and an article in the *Columbia Law Review*, vol. 36 (1936), p. 776, "Legal Problems Raised by the Reorganization of Industry: The Runaway Shop."

stated (Sec. 13) that the Act should not be construed in any way "so as to interfere or impede or diminish the right to strike." The second (Sec. 2) was that workers out on strike or locked out, and those discharged because of an unfair labor practice who had not obtained "regular and substantially equivalent employment," were still to be considered employees and hence could claim the protection of the Act.

For over a year and a half after the Board was set up, its decisions were ineffective because of a common belief that the Act would be declared unconstitutional and because large numbers of injunctions were obtained from the courts by employers which restrained the Board from putting its rulings into effect. After the favorable opinions by the Supreme Court in 1937, the Board was, however, able to obtain a respectable degree of compliance, while the volume of cases which poured in upon it enormously increased.

There were, of course, several ambiguities in the Act which were either not foreseen or, if foreseen, were left for the Board to clear up by administrative rulings. Thus, no exact definition was given as to what precisely constituted the process of "collective bargaining," which was in fact required if the workers demanded it. The Board properly ruled in the Sands case that it did not require the employers to reach a definite agreement with the representatives of the workers.[31] For to have made any such rule would have been to require the employers ultimately to agree to any sort of terms, however unreasonable, which the workers originally advanced and persisted in maintaining. The canon of judgment adopted by the Board was that the employer must seek in "good faith" to reach an agreement and should not have his mind closed against such an agreement, nor adopt a line of conduct which could be expected to make such an agreement impossible to obtain. As one evidence of such good faith, the Board ruled that employers must meet with proper representatives of the workers if the latter desired.[32] But this in itself was not enough. An employer must also discuss the terms submitted by the workers' representatives and make a "forthright candid effort . . . to reach a settlement of the dispute with his employees."[33] Deliberately dilatory tactics were ruled to be violations of the principle of good faith[34] as were mere statements of inability to pay, if accompanied by

[31] Sands Manufacturing Co. and Mechanics Educational Society of America, 1 N.L.R.B. 546; also Jeffery-DeWitt Insulator Co. and Local 455, United Brick and Clay Workers, 1 N.L.R.B. 618.

[32] M. H. Birge and Sons Co. and United Wall Paper Crafts of North America, 1 N.L.R.B. 731, and a multitude of other cases.

[33] Sands Manufacturing Co. and Mechanics Educational Society of America, 1 N.L.R.B. 546. See also Timken Silent Automatic Co. and Earl P. Ormsbee, Chairman Executive Board Oil Burner Mechanics Association, 1 N.L.R.B. 335; S. L. Allen and Co. and Federal Labor Union, Local 18,526, 1 N.L.R.B. 714; Edward Cox Printer Inc. and International Printing Pressmen and Assistants Union, Local 376, 1 N.L.R.B. 594.

[34] Bell Oil and Gas Co. and Local 258 of the International Association of Oil Field, Gas Well and Refining Workers of America, 1 N.L.R.B. 562.

a refusal either to prove this claim or to have it independently verified.[35] This interpretation of collective bargaining is essentially similar to that given by the United States Supreme Court in the Virginia Railway case in March, 1937. After saying that it did not require agreement between the parties, the Court declared that it did require "those preliminary steps without which no agreement can be reached. It at least requires the employer to meet and confer with the authorized representatives of its employees, to listen to their complaints, to make a reasonable effort to compose differences—in short, to enter into a negotiation for the settlement of labor disputes."[36] The mere adjustment of individual grievances, moreover, was also held by the Board not to constitute collective bargaining, which must instead deal with such matters as "wages, hours, and basic working conditions."[37]

On the other hand, employers were not required to continue in negotiation with the representatives of the workers when a real and not an artificial impasse over terms had, in fact, developed.

Since the Act specified that the term employees included workers who were out on strike, there is a continuing obligation on the part of the employers to grant collective dealings even after a strike has begun. In the Columbian Enameling and Stamping case.[38] the Board declared, "Collective bargaining is an instrument of industrial peace. The need for its use is as imperative during a strike as before a strike. By means of it, a settlement of the strike may be secured."

There was also an ambiguity in the Act as to who could ask for a decision or an election to determine representation. The Board, however, in its rules of procedure limited this right to "any employee or any person or labor organization acting in his behalf,"[39] and therefore excluded employers. It undoubtedly did so on the ground that to grant to the employer such explicit rights would permit him to call for elections before appreciable organization work had begun, and thus confront the organizing forces with an accomplished fact, and prevent any latent desire of the workers from materializing. The employers could, however, probably move indirectly toward getting such an election by inducing or influencing some of their employees to ask for it. In the determination of which group constituted a majority, the Board was not limited to an election, since the Act provided

[35] Pioneer Pearl Button Co. and Button Workers Union, Federal Local 2006, 1 N.L.R.B. 837; Harbor Boatbuilding Co. and Ship Carpenters Local Union No. 1835, 1 N.L.R.B. 349.

[36] Virginia Railways Co. *v.* System Federation No. 40, 300 U. S. 515.

[37] Atlantic Refining Co., 1 N.L.R.B. 359; Pennsylvania Greyhound Lines, Inc. and Local Division No. 1063 of the Amalgamated Association of Street Electric Railway and Motor Coach Employees of America, 1 N.L.R.B. 1.

[38] Columbian Enameling and Stamping Co. and Union No. 19,694, 1 N.L.R.B. 181; M. H. Birge and Co. and United Wall Paper Crafts of North America, 1 N.R.L.B. 731; Jeffery-DeWitt Insulator Co. and Local No. 455, United Brick and Clay Workers of America, 1 N.L.R.B. 618.

[39] *Rules and Regulations,* National Labor Relations Board, Series 1, p. 9.

that it "may take a secret ballot of employees or utilize any other suitable method to ascertain such representatives." The Board on occasion treated cards signed by workers authorizing a union to act for them in matters of collective bargaining as a proof of their choice,[40] as it also did similar petitions[41] and the signing of individuals for strike benefits.[42] Elections were, however, ordered when there was legitimate doubt as to the real choices of the workers.

The Board has ruled that the mere signing of a contract by the employer with one organization of workers was not definitive if there were solid grounds for believing that this organization did not represent the real choice of the workers, and that elections could then be ordered to determine these real desires. This was done to enable the workers rather than the employers to choose their representatives; and the principle was applied not only between "independent" and A. F. of L. unions,[43] but also between A. F. of L. and C.I.O. unions.[44] The Act was silent as to how long such a certification as to choice of representatives might last. A decision of the Board implies that the workers may change their representatives at any time,[45] although it is probable that administrative reasons, if nothing else, would place restrictions upon the frequency with which such elections might be called. This point is indeed one which will call for distinct clarification in the future.

In determining who is eligible to vote, the Board has commonly ruled that they should be (1) those who were on the payroll at the time the election was ordered,[46] or (2) in the event of a strike, those who were on the payroll on the last effective date preceding the strike.[47]

Another issue which is given to the Board to settle is that of the unit appropriate to collective bargaining. This, as stated, may be on the basis of a common employer, a common craft, a common plant, or a subdivision thereof. This obviously gives to the Board the power of determining jurisdiction. It has naturally sought to avoid this issue wherever possible and to throw the determination in these instances back upon the independent labor movement. But in view of the struggle for supremacy between the A. F. of L. and the C.I.O., this issue cannot always be avoided. The Board

[40] Delaware-New Jersey Ferry Co. and Marine Engineers Beneficial Association No. 13, 1 N.L.R.B. 85; Atlas Bag and Burlap Co., 1 N.L.R.B. 292.

[41] Atlantic Refining Co., etc., 1 N.L.R.B. 359.

[42] Rabhor Co., Inc., and International Ladies Garment Workers Union, 1 N.L.R.B. 470.

[43] Sands Manufacturing Co. 1 N.L.R.B. 546.

[44] See the celebrated Ambridge case (National Electric Products Co.) as reported in the *New York Times*, Sept. 2, 1937, and the various seamen's cases.

[45] New England Transportation Co. and International Association of Machinists, 1 N.L.R.B. 130. "The whole process of collective bargaining and unrestricted choice of representatives assumes the freedom of the employees to change their representatives."

[46] Pittsburgh Steel Co., 1 N.L.R.B. 256; Gate City Cotton Mills and Local 1938, United Textile Workers of America, 1 N.L.R.B. 57; Bendix Products Corp., 1 N.L.R.B. 173; Dwight Manufacturing Co. 1 N.L.R.B. 309.

[47] In matter of Saxon Mills, 1 N.L.R.B. 153.

has stated that in all such decisions as to the proper unit, it is guided by[48] (1) the history of labor relations in the industry and between the employer and his employees, (2) the degree of common skill possessed, (3) functional coherence, (4) the degree of mutual interest between the employees, (5) the degree of uniformity of the wage, (6) the organization of the employer's business, (7) the form of self-organization among the workers, and (8) the eligibility to membership in a labor organization. The Board, however, states that "the precise weight to be given to any one of these factors cannot be mathematically stated"; and since several of these criteria may in specific cases be diametrically opposed, the conclusion seems clear that it has large discretionary powers concerning the much mooted question of craft *versus* industrial unionism, and that it can make its decisions according to its own beliefs in the desirability of one form of representation as compared with another—tempered by the realities of the relative distribution of economic and political power as between the A. F. of L. and the C.I.O.[49] This possibility was in fact foreseen by certain of the A. F. of L. leaders and accounted for certain reservations which they held concerning the Act. It is probable that the A. F. of L. would now like to amend the Act to provide explicitly as in the Railway Labor act that a majority of each craft must decide upon its own representation. This would prevent industrial unionism except where a majority of each craft agreed.[50]

In dealing with the question of "restraint, interference or coercion," the Board has ruled that espionage practised upon union activities by employers constituted such action. "Nothing," the Board has stated,[51] "is more calculated to interfere with, restrain and coerce employees in the exercise of their right to self-organization than such activity. Even where no discharges result, the information obtained by means of espionage is invaluable to the employer and can be used in a variety of ways to break a union."[52] The "slugging" of union organizers, members and officials, under general direction from the management also clearly constitutes coercion, as does the hiring of men to worm their way into union offices and then use their position to break up and weaken the organization.

[48] *First Annual Report* of the National Labor Relations Board, pp. 113-119.

[49] That the Board has drawn down upon its head the ire of both sides is seen by the fact that during the very week that the leaders of the A. F. of L. were denouncing it in Denver as favoring the C.I.O., the latter organization at Atlantic City condemned it for "permitting craft organizations to seep into mass production and basic industries." *Union News Service* (issued by the C.I.O.) October 20, 1937.

[50] See the article by the well-informed Louis Stark in the *New York Times*, Sept. 19, 1937, p. E7. Mr. Stark states that out of some 38 cases, the Board certified craft units in 13 cases and wider groups in 25 cases.

[51] *First Annual Report*, National Labor Relations Board, 1936, p. 73.

[52] For further material on the espionage activities of employers, see the testimony before the LaFollette Committee; Clinch Calkins, *Spy Overhead* (1937); Leo Huberman, *The Labor Spy Racket* (1937); *Labor Spy*, by GT-99; and also the earlier work by Sidney Howard, *The Labor Spy*.

A twilight zone of uncertainty, however, seems to exist as to how far employers may carry through general propaganda to deter their workers from associating themselves with an outside union. In general, the decisions seem to hold that employers or their representatives should not (1) threaten employees with reprisals for union membership or activity, or (2) put too much pressure upon them in individual interviews, or (3) unduly vilify unions or their leaders. In a recent case,[53] the Board has approved an order directing an employer to desist from "carrying on propaganda by the publication of newspaper advertisements or otherwise against union activities" and "from in any manner inducing and causing citizens, civic bodies or public officials and their supervisory employees to interfere with, restrain or coerce their employees in the exercise of the rights guaranteed in Section 7 of the Act."

When a strike or lockout occurs, the workers involved must still be regarded as employees and must be reinstated by the employers if requested by the workers or their representatives.[54] Nor could the employers, moreover, make their offer of reëmployment conditional upon the striker's or locked-out worker's giving up membership in a union.

Finally, it should be emphasized that the Act itself gives no powers to the Board to mediate between the two sets of parties. It was indeed intended that these functions should primarily be reserved for the Conciliation Service of the Department of Labor and for such similar state services as might exist. The Conciliation Service has, however, no such clear declaration of policy similar to that given in the Railway Labor act, and must of necessity operate rather informally. My own observation makes me quite certain that the Regional Officers of the Board, by the very nature of the case, are frequently forced to carry through informal attempts at mediation even though there is no legal compulsion, or indeed, formal authority for them to do so.

IV

State Labor Relations Acts

Since the scope of the Railway Labor Relations act was narrowly restricted, and since the federal Act applied only to industries which affected

[53] Caloric Gas Stove Works and Topton Foundry Co., Inc., and International Molders Union of North America, Local 114. Case C. 198. 3 N.L.R.B. No. 15.

[54] Matter of United Aircraft Mfg. Co. 1 N.L.R.B. 236; Matter of Benjamin Fainblott and Marjorie Fainblott, etc., 1 N.L.R.B. 864; Sands Manufacturing Co., and Mechanics Educational Society, 1 N.L.R.B. 546; Timken Co. and Earl P. Ormsbee, 1 N.L.R.B. 335. For cases where employers called certain workers back to work, and an application for reinstatement was not required, see Atlanta Woolen Mills and Local 2307, United Textile Workers, 1 N.L.R.B. 316; Matter of United Aircraft Manufacturing Co., 1 N.L.R.B. 236; Columbia Radiator Company and International Brotherhood of Foundry Employees, Local 79, 1 N.L.R.B. 769.

the flow of interstate commerce, there was obviously an appreciable range of employment which could be covered only by state acts. The most important of these otherwise uncovered industries were: (1) retail trade;[55] (2) service trades such as hotels, restaurants, apartment buildings, hospitals, laundries, dry cleaning and pressing establishments, and possibly filling stations; (3) local and intrastate transportation systems such as trolleys, busses, taxicabs, trucking, and motorized freight services, milk deliveries,[56] etc.; (4) local utilities such as those furnishing electricity, gas, and water; (5) the building trades; and (6) possibly large sections of wholesale trade. Moreover, while the Supreme Court had rather broadly interpreted the scope of the Act in so far as it referred to manufacturing by its decisions in the Friedman-Marks and Fruehauf cases, it was possible that a considerable section of manufacturing and other industries which were characterized by small-scale production and sale in proximately local markets might later be decided as outside the federal and within the state powers. Finally, there was the fact that the federal board might become so swamped with work that the states could lighten the load even within those areas of industry covered by the federal Act by setting up boards of their own, even though this created an attendant problem of overlapping jurisdictions.

During the legislative sessions of 1937, five states passed labor relations Acts which were directly modelled upon the federal Act. These were Utah,[57] Wisconsin,[58] New York,[59] Massachusetts[60] and Pennsylvania.[61] In addition, the Michigan legislature passed an Act which was vetoed by Governor Murphy, and it then failed to agree upon a substitute bill which he submitted to it.[62]

[55] The National Labor Relations Board may be adjudged to have jurisdiction over chain groceries.

[56] The National Labor Relations Board may have jurisdiction over some of the larger dairy companies. It is my understanding that the Borden Co., for example, has conceded such jurisdiction after the economic division of the Board prepared its evidence.

[57] See Chapter 55, Session Laws of Utah, 1937.

[58] Chapter 51, Laws of 1937, Wisconsin; and Feinsinger and Rice, *The Wisconsin Labor Relations Act* (1937), 78 pp.

[59] Chapter 443, Laws of New York, 1937.

[60] Chapter 436, Laws of Massachusetts, 1937.

[61] Act. No. 294, Laws of Pennsylvania, 1937.

[62] The Michigan situation is sufficiently important and tangled to deserve detailed comment. As a result both of the federal Act and the series of strikes in Michigan, groups close to the governor introduced a bill which (1) outlawed company-fostered and financed unions; (2) followed the federal Act in outlawing the same "unfair" practices prohibited in the federal Act; (3) restricted the injunction powers of the courts on the yellow-dog contract, etc.; (4) permitted peaceful picketing which hitherto had been severely restricted in Michigan, and which had been at least one of the reasons for the adoption of the sit-down strike technique; but (5) limited this picketing by confining it to those employed in the plant where a dispute was in progress, and providing that it must not obstruct or "otherwise interfere" with approach to or egress from the plant. During the debates, the unfair labor practices were eliminated from the bill, largely, it is understood, because the forces favor-

Let us first consider the scope of these Acts. All of them, like the federal Act, specifically exempt agricultural labor and domestic employment in a private household. These exemptions were provided for a variety of reasons: (1) in imitation of the federal Act; (2) because of the small scale of the vast majority of these employing units with a consequent relative adequacy of individual as contrasted with collective bargaining; (3) because of administrative difficulties; and finally (4) because of the desire not to estrange the farming and middle-classes. All of the Acts also exclude public employment.

That there still will be some danger of dual jurisdiction with the federal boards may be seen from the fact that only the New York, Pennsylvania and Massachusetts Acts specifically exclude industries covered by the federal Act.[63] This is limited in the Massachusetts Act, however, to the field of unfair labor practices, and in New York only where the employer and the state board agree that it is not under the federal Act. The Utah Act excludes those covered by the Railway Labor act, but includes "trade, traffic, commerce, or communication within the state," and where the "free flow of commerce" within the state is obstructed. It can easily be seen that a labor dispute within manufacturing concerns or mines might be subject to dual claims of jurisdiction by the national and state boards. In Wisconsin, the problem of conflicting jurisdiction may be particularly serious, since no exemption is granted to industries affected by the federal Act.

In general, the various state Acts closely follow the National Labor Relations act as regards: (1) The rights of the workers to unionization and to collective bargaining through representatives of their own choosing, and the obligation of the employers to grant them such rights, are affirmed in language which is virtually identical with that of the federal Act. (2) All of the five unfair practices which are directly prohibited by the federal Act are also prohibited by the state laws. In addition, the Wisconsin and New York acts also explicitly outlaw:[64] (a) Espionage by employers, whether directly or through others of "any activities of employees or their representatives" which are involved in the exercise of their rights to unionize and bargain collectively. (b) Blacklisting of workers by employers. This prohibition is strengthened by not only prohibiting an overt blacklist, but

able to the governor were not willing to subscribe to additional unfair practices being imposed upon labor. (See House Enrolled Act No. 208, State of Michigan, 59th Legislature, Session of 1937). Governor Murphy seems at first to have favored this bill, judging from his article, "The Shaping of Labor Policy," in the *Survey Graphic* for July, 1937, pp. 1-5. After further study, he became convinced that the picketing restrictions were unduly stringent, and thereupon vetoed the bill. A bill which he had introduced, modifying these provisions, was passed by the Michigan House, but the Senate stood upon the original Act, and then adjourned. For the later developments, see the *New York Times*, July 30.

[63] The New York Act also excludes charitable, religious and educational associations.

[64] The wording of these two added unfair practices is virtually identical in both Acts. The New York statute, therefore, copied the Wisconsin Act, which was passed first.

also by prohibiting employers from informing any person of the exercise by a worker of his right to bargain collectively and to join a union when this is done "for the purpose of preventing individuals so blacklisted from obtaining or retaining employment." The New York statute also makes it an unfair practice for an employer to refuse to discuss individual grievances with representatives of the workers, even though these representatives might not be authorized to conduct collective bargaining negotiations.

(3) The same provisions for the certification of representatives are followed in all of the Acts. The New York Act, however, adds a number of further clarifying provisions: (a) The state board has no power "to investigate any question or controversy between individuals or groups within the same labor organization or between labor organizations affiliated with the same parent labor organization." This would require the board to keep out of jurisdictional disputes between unions *within* the A. F. of L. or within the C.I.O. respectively, but would not bar them from staking out the jurisdictional limits in cases of disputes *between* representatives of these two organizations. (b) The board shall not hold an election "solely because of the request of an employee or of employees prompted thereto by an employer." (c) No persons "employed only for the duration of a strike or lockout" shall be eligible to vote in such election. Nor "shall such election be conducted on the employer's property, during working hours, or with his participation, assistance, or supervision." (d) If there are three or more nominees for exclusive collective bargaining representation and none receives a majority, another election must be held from which the nominees who received the lowest vote are eliminated, and the group which obtains a majority at the second election is to be certified as the bargaining agency. This is a distinct clarification, since it may often happen that an "independent" union, a C.I.O. affiliate, and an A. F. of L. union will all contend for supremacy. (e) If a labor organization is found by the board to be a "company union," it cannot be listed on the ballots for the employees to vote upon. A "company union" is, in turn, defined as an organization which the employer "has initiated or created or whose initiation or creation he has suggested, participated in, or in the formulation of whose governing rules or policies, or the conducting of whose management, operations or elections the employer participates in or supervises or which the employer maintains, finances, controls, dominates, or assists in maintaining or financing whether by compensating anyone for services performed in its behalf or by donating free services, equipment, materials, office and meeting or anything else of value."[65] The Wisconsin Act also bars company unions identically defined from being voted on by employees as a possible agency for collective bargaining.[66]

[65] Employees are permitted to confer with management during working hours without loss of pay.

[66] For an instance of the exercise of this power, see In Matter of the Fred Rueping

The Wisconsin Act, however, goes even further by explicitly declaring that a minority group which has lost the election has the power to strike over the question of representation and that in such a case, it shall possess all the rights belonging to any group of strikers (Sec. 111.09).

(4) The methods of administration as provided in the state Acts are virtually identical with the federal machinery. In each state the Act is administered by a board, which in Utah is the Industrial Commission.

The movement which developed on the part of employers and sections of the middle class during the winter and spring of 1937 to make unions "financially responsible" and to extend to them a reciprocal list of "unfair practices" was evidenced to some slight degree in the Massachusetts and Wisconsin Acts. The Massachusetts legislature, for example, inserted a section[67] which explicitly declared sit-down strikes to be an "unfair labor practice" which could be proceeded against in the same manner as an unfair practice on the part of an employer. Vermont, which did not pass a labor relations measure, did pass an Act which declared a sit-down strike to be an illegal act and provided penalties for those who conspired or acted in this manner, which might rise as high as two years' imprisonment and $1,000 fine.[68]

The Pennsylvania Act has an interesting provision (Sec. 2 b) that the rights granted to *bona fide* labor organizations shall not be extended to any which "by ritualistic practice, constitutional or by-law proscription, by tacit agreement among its members or otherwise denies a person or persons membership in its organization on account of race, creed or color." This was designed to protect negroes against discrimination at the hands of numerous unions, and it should distinctly help to serve that purpose.

The Wisconsin Act provided that the board should appoint two committees representing respectively the labor organizations and the employers of the state. If a complaint is received that a labor organization or an official is engaging "in practices directly or indirectly affecting employees which are not consistent with the best practices of labor organizations enjoying satisfactory relations with employers," the board shall refer the matter to the labor committee and may in its discretion publish its report. Thirty days after submitting the question to the committee, the board may investigate the matter itself and make its findings public. In a similar fashion, the board may refer complaints against employers for acts which though not specifically defined as unfair labor practices "are not consistent with the best practices of employers enjoying satisfactory relations with labor or-

Leather Company Employees Association, Wisconsin Labor Relations Board Case No. 1. Decided August 6, 1937.

[67] Section 8A.

[68] Act 210 of 1937, State of Vermont.

ganizations" to the committee of employers for investigation and report. It also retains the right in these cases after thirty days to make a separate investigation of its own.

Similarly, if a labor organization or an employer complains that the other party is not satisfactorily observing a collective agreement, the board has the power to summon both parties to appear before it at a hearing and to publish its findings. It may refer these findings for "appropriate action" to the committee of that side which has been found guilty of a breach of the agreement. This is an evidence of a desire to build up the informed self-discipline of each side, as well as public opinion, to restrain anti-social acts.

Finally, at the same time that the states in question fostered collective bargaining, there was an evident desire to reduce strikes and lock-outs by adding state machinery which would provide facilities for conciliation and voluntary arbitration. Such a state service already existed in Massachusetts; Pennsylvania, and New York, however, passed supplementary labor mediation Acts. In the former state, the Department of Labor and Industry may act as mediator in a labor dispute at the request of either party or on its own initiative. There is also provision for arbitration by mutual consent of both parties. In New York, a separate labor mediation board has been set up. In Wisconsin, the Labor Relations act authorizes the board itself to appoint conciliators or boards of conciliation, and to frame the rules governing their activities. The experience under both the Railway Labor act and the National Labor Relations act indicates indeed that mediation cannot be completely divorced from the certification of collective bargaining agencies and the prevention of unfair labor practices. A labor dispute tends to involve a number of issues, and each cannot always be given isolated treatment. The states in question have seen this, and have acted wisely in setting up mediation facilities. In all probability, more explicit provision for such facilities and a clearer declaration of policy to guide such action would be desirable in the field covered by the National Labor Relations act.

V

Are Further Changes or Additions Needed?

The series of Acts which have just been described have undoubtedly helped to make labor's nominal right to organize and bargain collectively into a more real possession. We may expect more states to pass legislation similar to those of the first five states; and the immediate future under democratic government would seem to point to still further organization on the part of labor. But although such legal protection will reduce the fear on the part of the workers that employers will carry out reprisals against them, should they attempt to organize, it will by no means abolish

it. For employers can still circuitously proceed against active union men in a manner which, though it cannot legally be proved, will nevertheless be effective. There are many ways of easing men out of a job, and if the glove must be of velvet, the iron hand may still be within. The workers will know this, and they will know also that appeal to the National Labor Relations Board is a time-consuming process. All such legislation, therefore, no matter how faithfully enforced, can remove only a part of the fear which restrains so many from trying to unionize.

It should also be borne in mind that as a nation we are not greatly distinguished for the way we obey laws as such. Should large sections of public opinion, for example, become hostile to the Act or to its administration, the experience with prohibition should make us aware of some of the difficulties which are likely to arise.

The development of such legislation has also stirred up a movement amongst certain classes for what is alleged to be corollary or parallel legislation regulating the activities of labor organizations. Some, although by no means all, of these suggestions were embodied in a bill introduced in June, 1937[69] by Senator Vandenberg of Michigan, designed to amend the Labor Relations act. These proposals fall roughly into four classes:

(1) The first is that advanced by many employers and by those sympathetic to the belief that unions should either be incorporated or made directly responsible financially for the acts of their officers or members. In support of this position, it is contended that since the labor relations acts have helped to create unions, it is only proper that the law should make them "responsible" for their actions. If they engage in sit-down strikes, they should pay for damage done by the trespass, and for interference with production. If coercion is used against non-strikers in the case of a strike, they should be made to pay. If an unlawful strike is waged or an illegal boycott conducted, a similar responsibility should be shouldered upon them.

The difficulties with such a contention as this are, however, three-fold: (a) The law concerning strikes, picketing and boycotting is still so uncertain, and in some jurisdictions so patently limits the right of workers peacefully to persuade, that the general adoption of such a principle could easily be used to obtain high damages from the unions, and to bankrupt them for what the general public would believe to be legitimate methods. (b) It would be possible for unscrupulous employers and detective agencies to get under-cover men not only into the union ranks, but on occasion as union officers. This has certainly been done in the past.[70] They could get the union to commit illegal acts, which would then be used as an excuse for

[69] S. 2712. 75th Congress, 1st Session (introduced June 15, 1937).

[70] In addition to the references already cited, see Edward Levinson, *I Break Strikes*, McBride, 1935.

crippling suits. (c) Finally, it should be remembered that the courts have already, under the Coronado and Danbury Hatters cases,[71] provided for a considerable degree of financial responsibility of unions for the acts of their officers and of the rank and file for the acts of the union.

For all of these reasons, it does not seem to the author at least that under present circumstances it would be wise to proceed to any appreciable degree in this direction.

(2) A second form which these proposals takes is that the Wagner and other Acts should be modified to permit of at least the following changes: (a) So that employers might ask for the certification of representatives or elections as well as employees.[72] It should, however, be borne in mind that the basic theory of these Acts is that it is no legal or moral concern of the employer whom the workers wish to represent them. That is exclusively their affair. Similarly, it is urged, it is the concern of the workers and only theirs *when* they want to be represented.[73] (b) So that the certification might run only for a definite period of time and would have to be renewed at stated intervals through elections. This parallelism to the political state would, however, obviously involve the Labor Relations Board in a tremendous volume of work in which it would have to supervise elections for tens of thousands of establishments a year, and might well swamp it. (c) So that employers might either give information or indulge in persuasion and propaganda to convince their employees that they should not organize in outside or independent unions. The contention here is that the unions are left free to propagandize as they wish, but that the employers must keep more or less silent. While there is certainly something to be said for this position, it is nevertheless easy to picture how such a privilege might be abused by the financing of a flood of propaganda material which might indeed not only influence but in part coerce. Furthermore, we should ever keep in mind the basic philosophy of these series of Acts—namely, that it is to be the concern of the workers and of them alone as to whether or not they organize.

(3) The third set of proposals is based on the assumption that, since certain practices of the employers have been outlawed as unfair, so should certain practices of the unions. Among those which, it is urged, should be so treated are: (a) Coercion by unions, their members, and organizers of non-union men, so that the latter will vote for or join the union.[74] This

[71] United Mine Workers *v.* Coronado Coal Co., 259 U. S. 344 (1922); Coronado Coal Co. *v.* United Mine Workers, 268 U. S. 295 (1925); Loewe *v.* Lawlor 208 U. S. 274, 1908; Lawlor *v.* Loewe 235 U.S. 522, 1915.

[72] This is provided for in Senator Vandenberg's bill (S. 2712, Section 4).

[73] Homer Martin, the president of the United Automobile Workers, has made this point in a reverse fashion when he asked whether the employers also agreed that the workers could call for elections in employers' associations, etc. See report of 1937 women's conference held in New York City under the auspices of the *New York Herald-Tribune*.

[74] Thus, in the Vandenberg bill, it is declared to be an unfair labor practice for a labor

coercion may take the form of a threat of physical violence or one of financial loss or social ostracism. (b) The open or tacit use of physical force or economic loss to deter men from working at the time of a strike.[75] (c) The use of similar methods in behalf of a boycott. (d) Sit-down strikes.[76] (e) The establishment of a quasi-labor monopoly by means of an undue restriction upon the number of members. Such restrictions might operate through the medium of excessive initiation fees, an unduly long apprenticeship, and a too restricted ratio of apprentices, or by outright limitation and prohibition of entrance.

While there is considerable surface plausibility to such proposals, and while there are undoubtedly some real abuses which need to be remedied, it may be questioned whether such drastic prohibitions as the above would serve the best purposes of society. For it should be remembered in this connection that the use of actual physical force for other purposes than self-defense can already be punished under our criminal law, and that threats to employ such methods can at least be partially restrained or punished. Furthermore, boycotts and many phases of strike activity are already rigidly restrained and prohibited—and indeed, in some jurisdictions, excessively so. Thirdly, the term "coercion" might well be so loosely defined as to forbid legitimate persuasive activities by unionists. Finally, it should be remembered that "coercion" by the employer is much more difficult to check by law than coercion by the workers, since the former can take place quietly and by the very nature of the employer-employee relationship, while the latter has to be exercised much more openly. A reciprocal list of prohibitions is, therefore, likely to restrain the activities of the employees more than those of the employers, and hence lead to a disparity of actual treatment, even though formal equality and an apparent parallelism of rights and duties be embodied in the statutes.

Advocates of outlawing by board rulings alleged "unfair practices" by labor organizations; and officers need, moreover, to bear in mind two facts.

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organization "to induce or compel or attempt to induce or compel any employee to become a member of any labor organization by means of any threat, intimidation, or coercion, or by the use of physical violence." Section 3, sub-section b (1).

[75] This is apparently covered in an indirect manner in the Vandenberg bill, which would make it an unfair labor practice "for any person in connection with any labor dispute, to interfere with the free exercise or enjoyment by any person of any right or privilege secured to him by the Constitution or laws of the United States." Section 3, sub-section b (2). The probable implication here is that the "right to work" of the non-unionist should be so protected on the ground that it is one of the forms of liberty and property protected by the Fifth and Fourteenth Amendments to the Constitution. By including the word "laws" the way is also left open for further definition and expansion by Congress of this and other so-called "rights."

[76] The Vandenberg amendments would make it an unfair labor practice for any person or organization "to damage or destroy the property of any person or to violate or interfere with the exercise of any person's rights in real or personal property." Section 3, sub-section b (2).

The first is that the procedure adopted by the Labor Relations Board is very slow moving and involves long delays. The present criminal law and procedure permits a far more speedy punishment of physical coercion and property damage. It is doubtful whether the employing groups, if they thoroughly consider this point, will really wish to substitute for the present methods the far slower procedure of the Labor Board.[77] The second factor is that the convictions obtained by Thomas E. Dewey in his prosecution of labor racketeers in New York City show what can be done by honest and determined prosecutors under our existing laws. The fact that Mr. Dewey was subsequently nominated for District Attorney of New York by the American Labor Party, consisting of the more radical unions, and largely due to their aid was elected, is strong and reassuring evidence that the vast majority of unionists do not approve of the corruption of some of their minor officials and welcome an opportunity to be freed from them, provided that the prosecution of the corrupt is not used as a pretext to break up unionism itself.

(4) Finally, there is a group of suggestions designed to make trade-union government more democratic. The most prominent of these are: (a) It is proposed that a union should not share in the privileges granted by any labor relations act if it discriminates against admitting any applicant because of race, religion, or color. This feature of the Pennsylvania law has a great deal to recommend it. (b) It is proposed that the salaries and expenses of union officials should be published in the same fashion as those of corporation executives by the Securities and Exchange Commission. Such a procedure might very well check abuses of overpayment which have developed amongst a minority of the unions. If it were put into effect, however, it should also be applied equally to the officers of employers' associations, trade associations, and such so-called "citizens groups" as those which are now (September, 1937) developing in various parts of the country.

(c) It is proposed that before a union be permitted to call a strike, a vote should be taken under federal auspices as to whether the members or workers really want to strike. Senator Vandenberg's amendments contain such a proposal, which has in addition two notable features.[78] First, the vote must be taken by the appropriate units for collective bargaining. These units in turn have, in the nature of the case, generally been set by the Labor Relations Board as a plant or a subdivision thereof. This would mean that if a majority in a given plant did not want to go out on strike, none of them could do so even if the majority in the industry as a whole did desire to wage the strike. This would be applying the Wilsonian principle

[77] This point was strongly made in the address delivered by Chairman Madden on October 5, 1937, before the convention of the A. F. of L. See p. 5 of the mimeographed release of his address (N.L.R.B.R. 357).

[78] *Ibid.*, Section 3, sub-section b 5.

of self-determination to the smallest units possible. Secondly, the consent of the majority of the employees rather than of the union members would be required. This would enable non-union men to help determine union policy.

If these two vital defects could be removed, there would be much to commend such a proposal. For it could be used to prevent the arbitrary ordering of employees out on strike by certain individual union leaders. As a matter of fact, many of the more solidly established unions such as the railway brotherhoods and crafts, the printers and miners, tend almost invariably to follow such a policy at present. But while the evil to be attacked is a real one, if any such requirement is made, it should be worded with extreme care so that it would not prevent a majority of a union from going out on strike should it desire to do so. It should also be remembered that in the case of new and growing unions, a strike may start as a minority movement, but grow into commanding the loyalty of the majority. Such, it may be hazarded, was the experience in Flint during the General Motors strike of 1937.

(d) It is proposed that unions should not be permitted to boycott the use of a product in order to compel the employees of the concern which turns out that product to join against their real desire, a particular union. This weapon has, for example, been recently used by the Carpenters Union in the Pacific Northwest. By refusing to work on lumber which has been cut or sawed by men affiliated with a C.I.O. union, an attempt has been made to force them back into the Carpenters and the A. F. of L. The same method has also been used by the Carpenters in other connections and has been employed in the bitter battles over jurisdiction in the brewery industry. Such a provision would aim to give the workers in a given unit real freedom to decide which, if any, group they wished to affiliate with, unhampered by fears of what might happen to the market for their labor if they made a given choice. It would, in effect, outlaw a sympathetic boycott of materials at least, provided that the workers in the services producing the affected goods were given a fair opportunity to declare their real desires concerning unionism and collective bargaining, and then were enabled to make these desires effective. There is much to commend this proposal, but here again extreme and explicit care in phrasing and interpretation would be needed.

Finally, the experience of the strike in "Little Steel" has raised the issue whether, if an agreement between the parties has been reached as a result of collective bargaining, it should not be reduced to writing, and signed. It developed, to be sure, that this was not the primary issue in that strike, but instead whether the employers would agree to meet with the union representatives and try to reach an agreement. But the issue itself remains,

and interestingly enough, such a provision is required in Senator Vandenberg's bill.[79]

(e) It is proposed that just as the government supervises the elections to determine the choice of bargaining representatives, so it should supervise or conduct, at least upon petition of a considerable fraction of the members, the elections within unions to determine officers and basic policies. That there are abuses in such elections is known to students and friends of the American labor movement, and these give a certain plausibility to this proposal. Unless these abuses are removed or greatly lessened, such a development may come. But at least three considerations should be borne in mind before final approval is given to such a measure. First, reciprocal principles of fairness would require that this same supervision should be extended to the elections of employers' organizations, citizens groups dealing with industrial questions, and trade associations. Second, any such supervision would involve a truly formidable amount of administrative work, which few would wish to encourage unless it were absolutely imperative. Finally, if the government fell into totalitarian or fascist hands, such supervision would make it comparatively easy for the dominant political group to take over the control of the trade unions as well as of the other bodies, and thus extinguish independent agencies for the expression of group desires and those voluntary organizations which were one of the finest fruits of nineteenth-century liberalism. On the whole, therefore, it would seem inadvisable at this time to extend such powers. (f) Finally, it is proposed that there should be a public appeal board to which workers expelled or suspended from their unions might appeal for a review of their case. As unions become more powerful, the economic and social position of workers who are expelled from their unions will become more and more difficult. Some workers have probably been unjustly suspended or expelled, and there will be a demand for some way of protecting them from such unfair treatment in the future.

But whatever the future may hold, the passage of the various labor relations acts marks a distinct change in the climate of public opinion; and, by helping to liberate the movement toward organization, they promise to lead to still further changes in the status of labor organizations in the future.

One other conclusion would seem to be inevitable. The passage of such legislation as this, together with the social security measures, will almost inevitably require the unions to participate actively in politics. For in hostile hands, the rights granted in these measures could be abridged or removed, and the acts themselves perhaps changed into anti-union instruments. It would seem impossible, therefore, for the American labor movement to follow in the non-political pattern which Gompers desired.

[79] *Ibid.*, Section 3, sub-section b 7.

Whether such inevitable political activity on the part of labor is to take place within the framework of the present two-party system, or whether it will help to create a party which rests more solidly upon labor than do the present parties is one of the vital questions of the future.[80]

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[80] Senator Vandenberg has attempted to strike at the participation of unions in politics by proposing that compulsory campaign contributions by the unions should be an unfair and forbidden labor practice. (*Ibid.,* Section 3, sub-section b 3.) He undoubtedly had in mind the contribution of the United Mine Workers to the Democratic campaign fund. But it should be remembered that families of wealth gave extremely large contributions to the other party. To permit the rich to give enormous sums as individuals, but to prohibit the collective organizations of the workers from making pooled subscriptions in behalf of their members, is not even-handed equality. It would, on the contrary, operate to weight the political scales in favor of that group whose individual members could contribute most, and would help the wealthy to dominate the state.

Note on Automatic Instruments of Control

In another connection, the discussion of the "variable reserve ratio," the writer has ventured to argue that "the monetary authorities are likely to be more successful if they enjoy the aid of automatic devices which work in the right direction most of the time, thereby limiting discretionary control within a more narrow range,"[1] as against the exercise of "pure reason" at all points. Although this statement was made apropos of the discussion of the "velocity plan" for regulating the reserves of member banks and with full recognition of the principal weaknesses of that specific proposal, the case at issue (automatic *versus* discretionary control) involves a broad principle as to the mechanics of central bank policy, a principle which is relevant to the required margins for stock exchange loans as well as to required reserves of commercial banks, and possibly also to the regulation of the allowance rate on deposits.

The action of the Board of Governors of the federal reserve system in changing margin requirements on November 1, 1937, after a period of declining stock prices and following persisting and hopeful rumors that some action would be taken, is a case in point.[2] Under the circumstances there was probably little objection to the imposition of lower requirements on loans made for the purchase of securities,[3] but the method of the change is open to criticism. This authoritative action has again raised the question as to how far the Board should take responsibility for stock-exchange behavior and as to when and to what degree it should employ weapons of control in that quarter. Conceivably the Board may have desired to make a change in margin requirements at an earlier date but has hesitated to do so for fear that the wrong interpretation would be placed on its action, that it would be taken as the assumption by the Board of a degree of responsibility for stock prices which the Board was unwilling to assume. The market, moreover, was given no advance clues as to the timing or degree of changes contemplated, and there is still uncertainty as to why the specific percentages were selected or the particular time chosen.

Had automatic margin variations been in effect,[4] the change could have been made in more timely fashion, with less embarrassment to the Reserve authorities, and with a more gradual and predictable impact on the market where anticipations are a large element in the decisions reached. Much attention has been given to the desirability of establishing standards to serve as definitive guides and objectives of federal reserve credit policy.[5] In the judgment of the writer, similar arguments can be made in even stronger terms for the institution of automatic

[1] "The Variable Reserve Ratio," *Jour. of Pol. Econ.*, June, 1936, p. 367.

[2] The required margin, with certain exceptions, was lowered from 55 to 40 per cent on brokerage and bank loans. Short sales which had hitherto been governed only by a 10-point requirement of the New York Stock Exchange were subjected to a 50 per cent margin requirement.

[3] This does not signify sympathy with those general criticisms which attributed the weakness of the market to federal security regulation.

[4] Requirements might have been graduated so as to have provided a maximum swing of margins between 30 and 60 per cent, say, for the cycle of industrial stock prices since 1933. Provision might be made for an inverse movement of margins for long and short sales, although the writer would favor uniform requirements positively correlated.

[5] *Cf.* Simons, "Rules *versus* Authorities in Monetary Policy," *Jour. of Pol. Econ.*, Feb., 1936, pp. 1-30.

features in connection with the operation of the several instruments of control which appear to be adaptable to such variations.

The criticisms of automatic control devices, such as the "velocity plan," have been directed largely toward a demonstration of the points at which and the circumstances under which the variations would work inequitably or operate in perverse fashion from the point of view of credit control. But it should be possible to sharpen the proposals which have been made for automatic control, exceptions being made to meet the inequities which are necessarily occasioned by any generalized formula. The formulation of justifiable exceptions could hardly occasion more voluminous regulations than some of our recent laws have necessitated. The second objection can be met either by reserving to the authorities power to modify the automatic features of the device in question when in their judgment exceptions arise or by utilizing authoritative instruments as an offset. If it can be assumed that an automatic device can be made to work in the right direction and in the approximate degree most of the time, it should be simpler to reënforce it or offset it with other instruments (such as open-market operations) during a fraction of the time than to be forced in all cases to make decisions *de novo.* There may be a case for semi-automatic artillery which fires in the general direction of the enemy as well as for sharpshooters who readjust their aim between intermittent shots. As matters now stand, the authorities must choose the weapon, the time, and the strength of the charge at each juncture.

The increase of member-bank requirements early in 1937 and the subsequent release of a portion of earmarked gold, together with the accompanying reduction of rediscount rates and the relaxation of eligibility requirements, provide an illustration of an offset in part of one authoritative policy by others. Had reserves been governed by an automatic device providing an excessive or insufficient change, similar modifications could have been made by the Board of Governors through the utilization of complementary authoritative weapons. The possibility of offsetting or reinforcing in some degree automatic variations in margin requirements, on the other hand, raises the general question as to how far the authoritative instruments of a "quantitative" character could be utilized in predictable fashion to counteract any misbehavior of a "qualitative" weapon. If, for instance, automatic margin requirements had been in effect in 1928-29, and if the device had compelled an excessive increase of margins, it would have been possible to soften the impact of the requirements by open-market, discount, and reserve changes and *vice versa.* If, however, the automatic margin device were to misbehave under other circumstances in which quantitative measures could not be applied as an effective offset,[6] it might be necessary for the authorities to utilize their discretion either by shifting the base of the automatic mechanism or by modifying other qualitative regulations over which they had control.[7] Despite these complications which may arise in connection with any generalized formula designed to provide automatic control, it is believed that through the utilization of automatic devices the occasions for authoritative action could be reduced as compared with the present situation, and the time of the Board conserved, permitting the members thereof to center their attention more effectively on the remaining authoritative instruments.

It is surprising, therefore, that although the Reserve authorities supported the "velocity plan" before congressional committees, they did not seek an automatic

[6] In recent years, for instance, when the banks have held abnormal amounts of reserves.

[7] For example, they might shift certain categories of securities into the lower or higher margin brackets by re-classification.

margin provision but apparently shifted over to the philosophy of complete discretionary control. They sought and were largely responsible for the insertion of a flexible provision conferring full authority over margin loans upon the Federal Reserve Board.[8] Since the Securities Exchange act conferred full authority upon the Board to prescribe margins from time to time "by such rules and regulations" as "it may deem necessary or appropriate,"[9] it appears that the Board already has authority to establish automatic variations based on security prices.[10]

Responsibility for failure to formulate an automatic device in this connection thus seems to rest upon the administrative authorities.[11] The legal situation with respect to reserves is more uncertain. Presumably the Board has power also to vary member-bank reserve requirements according to some automatic formula within the limits set by the Banking act of 1935, provided that the present bases of calculation are adhered to and existing classifications are respected. These limitations, however, suggest the desirability of additional legislation at this point. In general it would seem preferable to allow the administrative authorities a large measure of discretion as to the precise character of the automatic device established as against the imposition of a rigid statutory rule.

In the final analysis, the general direction of control must rest on the considered judgment of the authorities. But it appears that the task would be simplified and the understanding of the market enhanced if several of the weapons were operated on an automatic or semi-automatic scale. Technical defects of devices already proposed in these connections should not deter the authorities from making further efforts to develop usable machinery at these points.

The writer makes no pretense of having technical devices to propose which meet the criticisms levied against plans previously rejected. But if we can agree on a principle, it should be possible to work out approximations on technical lines. This is not intended as a brief for tying reserves to the earlier "velocity" proposal, margins to the plan of the Twentieth Century Fund,[12] or deposit rates to bank rate; it is a brief, however, to the technicians and the authorities of our monetary system to reconsider automatic as against authoritative controls, and to give further research to the former in connection with two or three instruments of control. Otherwise the presence of a considerable number of desirable and partially specialized weapons may prove a source of endless confusion to the public and an "embarrassment of riches" to the authorities.

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[8] The earlier draft of the Securities Exchange bill proposed a fixed statutory requirement. *Cf.* Governor Black's comments and recommendations, *Hearings before the Senate Committee on Banking and Currency on S. Res. 84,* 73rd Congress, part 16, pp. 7415-41 (especially p. 7428). He utilized this opportunity, however, to present a brief for the "velocity" reserve plan.

[9] Securities Exchange act of 1934, sec. 7.

[10] The Banking act of 1935 also authorized the tie-up of deposit allowance rates to rediscount rates. This type of regulation has been utilized in London and was tried in New York on a limited scale at one time. *Joint Commission of Agricultural Inquiry,* 67th Congress, v. 2, pp. 596-622.

[11] The Securities Exchange act of 1934 prescribed initial margin requirements based on stock prices as an index, but subsection (b) of Section 7 apparently gives the Board full discretion in the imposition of rules and regulations provided that changes are made with regard "to the credit situation of the country." It would thus appear that earnings, for instance, might be utilized as a criterion as proposed by the Twentieth Century Fund, *Stock Market Control,* pp. 182-88, were such a basis deemed superior to stock prices.

[12] *Stock Market Control,* 1934, pp. 182-88.

What Is Money?

Cherished in contemporary monetary discussion is the classical doctrine that money is concrete and definable in terms both of the "medium" and "standard" functions. This point of view is well illustrated in the monograph[1] of Professor Howard S. Ellis who has utilized the doctrine in his critical survey of German monetary theory. It is the purpose of this note to urge that the doctrine is untenable. The criticism which follows is directed specifically toward Ellis' views, but in a general way it has a much wider application.

The principal error inherent in the classical doctrine is incorporated in Ellis' statement, "When money is described as exchange media passing in trade generally, or possessing general and unqualified paying power, the acceptance of certain media as the unit of account is probably implied, even if it is not made explicit."[2] If the expression "acceptance of certain media *as* the unit of account" means that certain media *are* the unit of account, Ellis, like other followers of the classical doctrine, has confused the concrete with the abstract. A commodity which serves as a medium of exchange is concrete; but the unit of account is abstract. To say that a unit of account is a specified quantity of a commodity is as illogical as it is to say that a unit of length such as the yard is a yardstick.

A commodity and credit chosen for the purpose serve as media of exchange; the unit of account, as will be shown presently, performs the "standard" function. These facts being so, money cannot serve both as a medium of exchange and as a standard of value. Defined as a medium of exchange, money does not perform the "standard" function; defined as the unit of account, money does not serve as a medium of exchange. Ellis has recognized these two alternatives,[3] but he has failed to perceive that a reconciliation is logically impossible. If the term money is used loosely to embrace both the unit of account and media of exchange, the term is ambiguous; it becomes impossible to determine whether money refers to the unit of account or to media of exchange.

What is the way out of this impasse? One solution is to define money as the unit of account. Media of exchange can be called currency. The terms money and currency will then have a definite and precise meaning.

What is the unit of account?[4] It is defined in this note as the *value* of a specified quantity of some concrete thing. The value of a concrete thing is the exchange relation between a quantity of that thing and a quantity of some other good or service. The change relation, for example, between one yard of cloth and 15 5/21 grains of gold 9/10 fine is value. The unit of account may be established

[1] *German Monetary Theory, 1905-1933* (Cambridge, Massachusetts, 1934). See especially p. 44 and pp. 104-105, including footnote 2 on p. 105. Ellis has stated, "The definition of money as exchange media circulating at a par or nominal value has the advantage of embodying the two irreducible functions, and departing but little from common usage" (*ibid.*, p. 105).

[2] *Ibid.*, p. 105.

[3] *Ibid.*, pp. 104-105.

[4] I have searched Ellis' book for his definition, but I have not found it. The sense in which he uses the term "unit of account" is not always clear. For example, what does he mean when he says that "the abstract unit of account cannot itself be attributed purchasing power . . ." (*ibid.*, p. 40)? Does he intend to say that the unit of account does not have purchasing power (or value?) as does a commodity? Or does he imply that the unit of account is not purchasing power (or value?)? (Purchasing power is used here to mean value in the sense in which it is defined above.) The unit of account as defined above does not have value; it is value.

by fixing the quantity of the concrete thing whose value is the unit of account. This may be done arbitrarily by law or custom. Today it is done by law. The value which is the unit of account is not fixed in any arbitrary manner although the state may exercise some influence over the unit of account by changing the quantity of the concrete thing whose value is the unit of account.[5] Once established, however, the unit of account is a variable value determined by market forces. In the United States at the present time the unit of account called the dollar is the value of 15 5/21 grains of gold 9/10 fine.

How does the unit of account serve as a standard of value? That function is performed by the unit of account in two ways. First, the unit of account is used in calculating the values of goods and services. When value is expressed in terms of the unit of account, value is called price. The price of a quantity of a good or service is its value expressed in terms of the unit of account. The price of 15 5/21 grains of gold 9/10 fine is now fixed by law in the United States to be one dollar. This means that the specified quantity of gold has an exchange relation with *some* quantity of other goods or services. The prices of other goods and services are not ordinarily fixed by law; they are free to vary in an unrestricted market. If the price of a yard of cloth is quoted at one dollar, the yard of cloth has an exchange relation with 15 5/21 grains of gold 9/10 fine (or the equivalent thereof) as long as the price of that quantity of gold is fixed by law to be one dollar. Where a unit of account is universally used, the value of each good or service is expressed in terms of the unit of account. The quantity of each good or service which may be exchanged for a given quantity of any other good or service can then be readily and easily determined. Quantities of goods and services are exchangeable for one another whose prices are equal.

Second, the unit of account is used in calculating debtor-creditor relationships arising from exchanges which consist of the transfer of a good or service in return for a promise of a person to deliver a good or render a service in the future. The claim of the creditor is ordinarily expressed in terms of the unit of account; the creditor claim seldom calls for the payment of a quantity of some specified good or service.

If money is defined as the unit of account, money is abstract. Ellis has contended that "this notion cannot for a moment be upheld in a serious treatment of the problem."[6] To support his position, Ellis has quoted the following statement taken from Taylor's *Chapters on Money,* pp. 19-20: "If we are merely estimating values in terms of money, we are using, not the actual money, but merely the idea of value associated in our minds with money." Directly after this quotation Ellis has made the following comment. "That is all that need be said concerning the dreary verbiage of those who pile Pelion on Ossa trying to prove money to be something abstract."[7] With this dogmatic and rhetorical extravaganza Ellis has contemptuously dismissed the problem. Ellis, however, has not said the last word, as his statement implies, any more than John Stuart Mill said the last word on value when he asserted that "happily, there is nothing in laws of Value which remains for the present or any future writer to clear up."

Ellis has based his argument on the quotation taken from Taylor. Ellis has

[5] Ellis has asserted, ". . . whatever influence the state exercises over the unit of account comes from action directed toward the physical circulating medium" (*ibid.,* p. 41). The state, however, can do more than this; it can also attempt to regulate the creation of the *abstract* circulating medium in the form of credit.

[6] *Ibid.,* p. 40.

[7] *Ibid.,* pp. 40-41.

cast aside a controversial issue merely by quoting an "authoritative" statement whose implications he seems imperfectly to comprehend. The quotation taken from Taylor does not support Ellis' thesis. Taylor has defined money as a medium of exchange (*Chapters on Money*, p. 11). The expression medium of exchange may therefore be substituted for the term money in the quotation taken from Taylor. The substitution having been made, the substance of Taylor's statement can be presented as follows: it is not the medium of exchange which is used in estimating (or calculating) value but the idea of value associated in our minds with the medium of exchange. Taylor has averred in his statement that a medium of exchange does not serve as a standard or measure of value; its value which exists in the mind as an idea or abstraction performs that function. An abstraction serves as a standard of value; and if money performs the "standard" function, money is therefore abstract.

Taylor did not consistently follow the ideas expressed in the quotation referred to above. Taylor's statement which Ellis has quoted is really an aberration from Taylor's main thesis. Taylor also asserted that a medium of exchange itself may serve as a "measure of value" (*Chapters on Money*, p. 20).

To support his position that money cannot be abstract, Ellis has also stated, "To command goods, money must be scarce; and to be scarce, it must be more than an abstraction."[8] In this statement Ellis has clearly revealed his preconception that money *must* be a medium of exchange, a physical thing which is scarce and therefore exchangeable for goods and services. It must be conceded that a physical thing can serve as a medium of exchange; but it does not follow at all that that thing must be called money as Ellis has implied. It is denied, however, that only a physical thing can serve as a medium of exchange. Credit may serve that function. Credit, however, is an abstraction; it has no existence independent of its calculation. Contrary to what Ellis has implied, credit may be scarce even though it is an abstraction. Were money to be defined as a medium of exchange, money in the form of credit would be abstract.

The impatience of Ellis with points of view different from his own is revealed in his statement, "May future students of monetary problems be spared my pains in examining the writings . . ." of those persons who argue that money is abstract.[9] Ellis has suggested that the efforts of some writers to show that money is abstract ". . . represent the pathological phases of a legitimate theory."[10]

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Note on Monopoly and Competition

Whenever a new theory is in the process of development, there is almost certain to be a confusion in terminology which obstructs further progress. For this reason, Professor Machlup's efforts to clarify the terminology of competition and monopoly (AMERICAN ECONOMIC REVIEW, September, 1937, pp. 445-451) should be welcomed.

It is questioned, however, whether the classification of market positions which he offers is justified in all cases. It is asserted (p. 450) that "the only criterion that . . . distinguishes monopolistic imperfect competition from monopoly is the time element." In the short run they are held to be the same, but in the long run

[8] *Ibid.*, p. 40.
[9] *Ibid.*, footnote, p. 40.
[10] *Ibid.*, p. 41.

different, because imperfections in the former case will be eliminated while monopoly is based on "more enduring conditions." But does not all monopoly reduce to monopolistic imperfect competition in view of existing substitutes and impending ones provided by new enterprises, invention, technological change, and variations in consumer habits? Instead of separating with time, the two positions tend to merge. In the longer run, as well as over short periods, it seems that any monopolistic position can reasonably be treated under monopolistic imperfect competition, with emphasis upon one or the other component of the term as each case may require. Professor Machlup himself has said that "the seller can depend . . . *only within limits* (italics mine) upon the conditions of imperfect monopoly.[1] Then at the very best one could distinguish between imperfect monopoly and monopolistic imperfect competition only *after the event*.

To support his distinction between the two market situations, Professor Machlup claims that for the imperfect monopoly "there is the sudden turn to high elasticity in the upper part of the long-period demand curve," because of the possible appearance of rivals. In the case of monopolistic imperfect competition "there is a sloping demand curve which as a whole will be reshaped and shifted more and more to the left and downward as times goes on." But is there necessarily such a difference? Competition from substitutes may strike an imperfect monopolist's demand curve anywhere, not just at the top; and the long-period demand curve of the imperfect monopolist could shift downward and to the left just as he assumes that the other one will.

It appears to be doubtful also whether there is anything gained in classifying monopolists and monopolistic competitors as heedless of rival sellers' reactions. Where would one find a monopolist (assumed to have ordinary business acumen) who is unmindful of the effects of his policy in provoking responses from sellers of substitutes? It may be agreed, as Professor Machlup says, that any classification is "artificial"; somewhat arbitrary classificatory distinctions are acceptable if useful and if they promote clear reasoning. But not all of his distinctions contribute to the clarification which is his objective. Unnecessary and unrealistic distinctions may instead bring added confusion.

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A Suggested Reprint Service

The attention of the writer has recently been called to the fact that there is in existence no adequate organization for the exchange of economists' reprinted papers. The need for an organized exchange system is much greater today than it was fifteen or twenty years ago because of the large number of special interest journals now published. It is today impossible for the American Economic Review to publish more than a small fraction of the articles which are of special interest to economists. It is impossible for most economic students to subscribe to more than a small fraction of the publications which, from time to time, contain articles important to them.

Reprints of published articles are not always available, but it would appear that writers are often dissuaded from going to any extra expense to obtain them because of the difficulty which they have experienced in placing previous reprints in the hands of those interested.

More readily accessible reprints would simplify especially the work of younger scholars who are not established well enough to have readily available much

[1] He recognizes that cases of perfect monopoly are unlikely to exist in reality.

needed material. On the other hand, easy access to materials would simplify the work of those planning the annual program. Alvin Johnson's letter late in 1936 in which he called attention to the need for a more elaborate organization partly for the purpose of discovering young talent will be remembered by all economists. Although a more adequate reprint service would not entirely solve this problem, it would simplify it.

A recent note by the editors of *Econometrica* may be of interest in this connection. In discussing the 1935 election of fellows, it was stated (*Econometrica* 3:479, October, 1935):

"Fellows were supplied with ballots containing a bibliography of each nominee and were asked to indicate whether they had read representative works. A surprising result of the vote was the discovery that works of several well-known nominees had been read by only a few Fellows. Indeed, the ballots show that some of the nominees failed of election primarily because their work was to a large extent unknown to the Fellows. . . . In some instances the writings of a nominee were widely read by Fellows in his own country but were unknown to Fellows in other parts of the world. It appears, therefore, that authors of works which are not published in *Econometrica* should endeavor to send out large numbers of reprints. In this way, members and Fellows of the Society can be kept constantly apprised of new discoveries in the rapidly growing field of econometrics."

The AMERICAN ECONOMIC ASSOCIATION is the logical organization to centralize the exchange of reprints. It is logically, at least, the coördinating society for several special interest societies, and the sister social science societies not so linked have a smaller membership.

The actual set-up of the reprint exchange service could be kept very simple and relatively inexpensive. All that is really needed would be provided by the following program. (1) Notice in the pages of the AMERICAN ECONOMIC REVIEW should be given to the existence of the service, and to its plan of operation. (2) Reprints could be received, at the senders' expense, at a place where room for storage is available. (3) A mimeographed list of such reprints could be made up at intervals which appear to be most expedient, and sent to members of the AMERICAN ECONOMIC ASSOCIATION requesting it. (4) A prescribed method of ordering reprints should be devised so that the actual work of forwarding them could be reduced to a minimum. (5) Depending on available funds, the reprints could be mailed free of charge, at the cost of postage, or at the cost of postage plus a small charge for the labor required and the cost of storage. (6) Some time limit on the period a reprint will be kept could be settled on, so that the required storage space might be kept at a minimum.

The ASSOCIATION members with whom the writer has discussed this plan seem most enthusiastic. One member has suggested that an even more elaborate and expensive plan, whereby reprints adjudged to be significant could be subsidized in case the publishing journal does not supply a reasonable number free of charge, might be desirable. For such a purpose a staff and funds would be required. Whatever may be the merit of such a plan, the writer believes that the consummation of the program suggested in this note would be a good start.

The editor of the REVIEW suggests that members comment on the benefit which might be derived from a reprint exchange service, the best way to set up such a service, and whether it would increase the attractiveness of membership in the ASSOCIATION.

ELMER C. BRATT

Lehigh University

Suggested Change in the Economics Curriculum: A Comment

The September issue of the REVIEW carried a communication from Richard Bohan of the University of Detroit, in which he made some interesting suggestions regarding a change in the economics curriculum. The major innovation which he proposes involves the substitution of an elementary course in the history of economic thought for the usual course in economic history of the United States. The reasons given for making such a change are substantially as follows: first, that the economic history of the United States, "unless it is exceptionally well handled, is to a large extent a re-statement of the driest parts of the high school course in American history"; second, that a course in the history of economic thought, if given prior to the study of principles of economics would acquaint the student with the source books and schools of thought, thus giving him a background of associations with which to relate his study of economic principles and their application to present-day problems.

While conceding a certain amount of justice in the above criticism of the customary curriculum and admitting that the purpose of the suggested change is worthy of consideration, one finds it difficult to discover practical merit in the proposed method of its achievement. The qualification, "unless it is exceptionally well handled," as a condition for the successful teaching of economic history, applies with even greater force to a course in the history of economic thought if offered in advance of economic principles. The student will find it extremely difficult to comprehend and evaluate the economic theories of the past without some background of fundamental principles. This difficulty is not absent even in the teaching of the history of economic thought in the senior year, where all too often, of necessity, the time is taken up largely with a review of economic principles. An instructor would need to be skillful indeed to implant the various theories of value and distribution with any marked degree of success in the minds of a group of unsuspecting freshmen!

Let us grant however that a course in economic history or principles would be made more profitable and palatable if accompanied by a background of the development of economic doctrines and institutions. Can this objective be achieved without encountering the difficulties involved in Mr. Bohan's proposal? Perhaps not completely, but it appears to be capable of at least a partial realization. The objection to the usual first-year course can be met by offering a full-year freshman survey course in the social sciences in lieu of the customary semesters of the economic history of the United States and economic resources or geography. It would be possible to devote a limited section of the survey to the essential background material in economics while avoiding the objectionable dryness and duplication involved in the present curriculum.

With reference to the second point in Professor Bohan's communication, there is no reason why some attention should not be given to the background of economic doctrine and institutions in direct connection with the teaching of principles. Assuming that the course covers the full year, it is possible for the instructor to follow a lecture outline which fills in the background of the development of the more important theories as they are taken up by the student in his daily assignments. In all events this material should be coördinated with and not antecedent to the teaching of economic principles.

GEORGE HUNSBERGER

University of Arkansas

General Works, Theory and Its History

Studies in the Theory of International Trade. By JACOB VINER. (New York: Harper. 1937. Pp. xv, 650. $4.50.)

To this work, probably the most exhaustive and authoritative in the field, Professor Viner has given a much too modest title, the only justification for *Studies* being the inclusion in revised form of two papers already published. Even technically skilled readers will require arduous study to follow through the presentation and appraisal of historical schools of thought and the myriad of current theoretical problems. The author has sacrificed claims of innovation to painstaking determination of sources, often of surprising historical antiquity; he has revealed a commendable disregard of his own vested interests in doctrinal matters and a concern for synthesis. Occasionally, it is true, one detects a certain *Schadenfreude* in Viner's refutation of notable opponents; but the issues are squarely joined and formidably argued.

The first half of the book is devoted to mercantilism and to the bullionist and currency controversies before 1865, all with reference to the English setting and literature. With this particular reference clearly stated, Viner rejects Schmoller's thesis of mercantilism as the economic counterpart of modern state-building, as well as other apologetic interpretations; mercantilist ideas proceeded mostly from the crude balance of trade fallacy and finally collapsed from their internal contradictions. Chapters 3 and 4 on the inflation and deflation phases, respectively, of the bullionist controversy describe precisely the issues involved and their historical setting, as well as the errors, according to Viner's judgment, made by present students, *e.g.* Silberling and Angell, on such questions as the rôle of the provincial banks and the quality of Bank of England policy during the inflation. Amongst other things, one learns that Ricardo, Wheatley and their contemporaries reasoned about the exchange rate-price relation only in terms of "particular prices of identical transportable commodities" and not of the general level figuring in purchasing power parity. Chapter 5 brings into sharp relief the currency-banking school positions, their relation to the older controversy, and their validity in retrospect. It will be an erudite scholar of this period indeed who is not enlightened as to the venerable age of some of our "modern" ideas—open-market operations (p. 257), external and internal drains (p. 261), currency reforms (p. 280), the "Phillips" credit expansion principle (p. 239), equations of exchange, and the cash-balance device (p. 249).

The problems presented—and at the very least brought further toward definite solution—in the theoretical part go beyond the bounds of a review. It is surprising to find the whole transfer controversy incorporated into

chapter 6, "The international mechanism under a simple specie currency"; and it is somewhat disappointing that this chapter is twice as extensive as a succeeding one on the mechanism "in relation to modern banking processes," despite the truth that the "mere existence [of central banks] with discretionary power to act suffices to give some phases of the international mechanism . . . a largely unpredictable" character (p. 392). Professor Viner errs in believing that Marshall is the only modern writer who specifically mentions primary and secondary expansions of money and credit in connection with the mechanism: in the second volume of his *Vorlesungen* (p. xiii, 187-188), Wicksell very sharply emphasizes this contrast.

Under the "simple specie" assumption, convincing evidence is adduced that, though relative changes in demand might possibly turn the terms of trade against the borrowing country as Ohlin and others have argued, still the probabilities are as strong for an accentuation of the favorable turn, which Hume and the orthodox writers deduced from "relative price" reasoning, as for the opposite effect; and hence the orthodox conclusions emerge "almost unscathed" (pp. 335-336). Professor Viner concedes indeed that "mainly owing to Ohlin . . . there has been . . . an increasing readiness to give weight" to income shifts; but he maintains that nineteenth-century writers recognized the possible equilibrating rôle of these shifts (pp. 303, 304). Longfield, however, denied that this factor operated without price changes; income changes were merely "implied" by Torrens, limited to "one passage, by exception" with Joplin, "accidental" with Mill, "not in better known expositions" of Cairnes, and treated with "crudely fallacious reasoning" by Nicholson (pp. 297-301). Were not relative changes in demand really "an omitted factor" despite Viner's interrogation mark (p. 293)? But the chapter on the specie mechanism is replete with the intellectual virtuosity for which the author is famous, particularly brilliant examples being the elaboration of Pigou's analysis of one-sided transfers and the terms of trade, and the evaluation of differential velocities between countries and specie movements.

Two final chapters, comprising a fourth of the book, treat the total gains of international trade as presented through comparative cost and real income theories, respectively. Viner concludes that differences in money wage rates do not seriously jeopardize the comparative cost analysis (p. 500), but that the difficulties of including land services under a disutility cost theory and of reducing labor and capital costs to a common denominator constitute serious limitations (pp. 514-516). He objects—quite rightly in my judgment—to considering opportunity costs solely in terms of competing *products* as an adequate substitute for disutility or "real" costs (p. 519), but he unfortunately makes no use for international trade theory of F. H. Knight's notable elimination of this shortcoming

in the usual Austrian theories.[1] Parallel to the difficulty of a common denominator for real costs, the real income-approach labors under the theoretical impossibility of measuring utility aggregates. Almost at the outset of the chapter on real income, therefore, Viner bespeaks his conviction that the gain from international trade cannot be measured, though there is a strong general *presumption* for free trade and a *certainty* that, because it necessarily yields a larger physical income, it would also increase total utility if any impairments thereof through inappropriate income distribution were corrected by authoritarian interference (pp. 530-534). The remainder of the chapter dealing with the symbolic and geometric analysis of gain by Edgeworth, Marshall, Cournot, Barone and others is a brilliant performance, though the author obviously regards it as having dialectic and educative value in Euclidean economics rather than positive and constructive significance. The book, quite as expected, is a major event in the history of economic thought.

Howard S. Ellis

University of Michigan

Veblen. By J. A. Hobson. (New York: Wiley. 1937. Pp. 227. $1.75.)

Coinciding with the eightieth anniversary of Veblen's birth, this book is one of a series, including essays on Pareto, Comte, Tylor, and others, which is being published originally in England and which is aimed at providing the layman with an introduction to the thought of great modern sociologists. Never before has an Englishman written exclusively of the teachings of Thorstein Veblen.

Following a biographical sketch, Mr. Hobson endeavors to provide a basis for understanding the central theme of his book, which he refers to as Veblen's "brand of economic determination of history," by a recital of Veblen's account of the evolution of the scientific point of view, his critique of classical economic doctrines, and his critique of Marx. The remainder of the book consists of discussing and quoting the American scholar's views of the inter-relationships between the economic and non-economic factors in social evolution. One may read of the argument concerning the "sabotage" of industry in the case of modern America, of the broader social implications of America's "peaceful pecuniary culture," and of the inter-relations which subsist (both as regards the domestic and the international course of events) between the economic and the political and religious institutions. In his summary and estimate the author outlines theories contained in "The Instinct of Workmanship," the purpose being to

[1] "Bemerkungen über Nutzen und Kosten," *Zeitschrift für Nationalökonomie* (Vienna), Bd. vi, Heft 1, 3 (1935). On another matter, however, Viner with one reservation follows Knight closely,—*i.e.*, on Graham's supposition of gain in transferring resources from increasing to decreasing cost industries (Viner, pp. 470-482).

exhibit summarily Veblen's researches in social psychology, including the concept of the "contamination" of the generically human traits. In his conclusion, as elsewhere, Mr. Hobson voices a high regard in no uncertain terms for the sociological contributions of the subject of his essay.

Here and there Mr. Hobson's essay will illuminate. But as an introduction it is doubtful if it will provide the general reader with a lucid statement of the fundamentals of Veblenian thought or entice scholars to examine his work at first hand. If Mr. Hobson had worked out in simple terms the causal sequences involved in the theory of the evolution of the scientific point of view and in the critique of classical economic doctrines, there are two or three ways in which this essay might have been vastly improved. He might not have blunted as seriously as he did the critique of the classical and neo-classical preconceptions. Had he thoroughly digested the essentials of these elements of Veblen's theory he might have been led fully to recognize, and hence to expound, just what Veblen tried to do. The central task that Veblen set himself was to explain in terms of depersonalized causal sequences how men have learned (in the broadest sense of the word) the pattern of changing habits of thought which afford the channels of conduct for an agent characterized by the indirection of intelligence. I doubt if any one will learn this by reading Mr. Hobson's essay.

Had Mr. Hobson exhibited simply and clearly the theory of how men have come by particular preconceptions (habits of thought) for purposes of scientific inquiry, he would have been forced to state the mechanics of Veblen's underlying theory of the cultural learning process. In so doing, he would probably have succeeded in providing a meaningful point of departure and supporting framework for the remainder of the essay. Whereas Veblen's arguments make up into a close-knit theory of interdependent parts, this essay tends to portray them as a loose-knit conglomeration of ideas.

Finally, and in somewhat the same connection, I fear that readers of this book will erroneously infer that as Veblen interpreted history there is, after all, something teleological—something in the way of a predestined trend—in the course of events in the shape of economic determinism. And this, of course, is just what he rebelled against, no less in the case of Marx than in the case of the classicists. The "teleological" factor in the scheme of things, in his view, is the human agent; and once this concept and its implications are firmly grasped the scholar is constrained "idly" to seek how the agent's various teleological propensities have served, ultimately, as the prime movers and, at the same time, how these have been conditioned by habituation. Without anywhere attempting a simple, abstract, comprehensive explanation of what economic determinism may have meant to Veblen, Mr. Hobson relies on the term without saying what *he* means by it. Had he, to repeat, stated Veblen's theory of the cultural learning process,

the nature and significance of the "vaguely isolable" economic interest (as one of several "interests on which the complex of teleological activity carried on by the individual proceeds") might have become clearly apparent.

The general impression which this book gives is that Veblen's thought lacks the depth, cohesiveness and persuasiveness which were in fact its most characteristic features. Beside a few misstatements of fact (p. 16, *e.g.*), abstracts from Veblen's writings are misquoted so often as to prevent the listing of errors here. In one instance the word substituted for the original makes incomprehensible what Veblen was saying (p. 79) and in another it changes his meaning (p. 29).

GUSTAVUS TUCKERMAN

New York University

Competition and Coöperation: A Report of the Sub-Committee on Competitive-Coöperative Habits of the Committee on Personality and Culture. By MARK MAY and LEONARD W. DOOB. Bull. no. 25. (New York: Social Science Research Council. 1937. Pp. 191.)

Memorandum on Research in Competition and Coöperation. By Members of the Sub-Committee on Competition and Coöperation. (New York: Social Science Research Council. 1937. Paged by sections.)

For many years the Social Science Research Council has interested itself in developing fields of inquiry to which the coöperative efforts of psychologists, anthropologists, sociologists and psychiatrists would be attracted. Competitive and coöperative aspects of human behavior, the subject matter of the present study, constitute an important subdivision of a broad field termed *personality* and *culture* and concerned with "the impact of social life on the personality and behavior of individuals and the impact, in turn, of individuals upon the culture," which the staff of the Council has worked out as one area of concentration. The mimeographed volume contains generous bibliographic notes on some 600 publications, an extensive collection of research projects, and a general interpretative summary of the contributions of eight research assistants. The printed report prepared by Mark A. May and Leonard W. Doob undertakes a synthesis and evaluation of existing knowledge and analytical methods together with some additional research suggestions.

The emphasis of these studies is placed upon organization, formulation and synthesis of the largely uncoördinated accumulation of data and research experience relative to coöperation and competition. A tentative theory has been fashioned, centering upon the elements and conditions—psychological and social—which govern the competitive and coöperative actions of individuals. In real situations competitive and coöperative motives and habits of conduct are closely intertwined, while their psycho-

logical and social determinants are themselves mutually interdependent. Since the available techniques of inductive analysis are subject to severe limitations, the adequacy of the variables of which the theory is constructed is extremely uncertain. Therefore a large part of the report is devoted to discussion of the experimental, sociological, anthropological and life history approaches to the problems of coöperation and competition.

The authors believe that the theoretical structure performs at least four functions: (1) furnishing a common framework for integrating diverse data; (2) pointing to significant and crucial research problems; (3) providing a means for systematizing future research effort; and (4) providing a basis for prediction of coöperative or competitive behavior of a given individual in a given situation at a specified time which "could not be made by the well known statistical or actuarial techniques."

One may regard the predictive power of the theory with more reservation than do the authors and still appreciate that this is a valuable and competent study. In its present rudimentary stage of development the theory will perhaps prove serviceable for the time being mainly as a means of research coördination and planning, and as an implement of tentative abstract analysis.

HORACE G. WHITE, JR.

Washington, D.C.

The Limits of Economics. By OSKAR MORGENSTERN. Translated by VERA SMITH. (London: Hodge. 1937. Pp. vi, 160. 7s. 6d.)

Professor Morgenstern sets forth his conception of the relation of economic theory to problems of practical economic life, especially problems of public policy. The English text, which is here reviewed, is a revision and a translation of the German edition of 1934. The essay is not an abstruse treatise on methodology. It is an attempt to find out what should be the rôle of the economic theorist in public affairs. Professor Morgenstern's position as a leading theorist and as director of the Austrian institute for trade cycle research amply qualify him to discuss this topic.

The limits of the applicability of economic theory to questions of public policy arise, we are told, from the following conditions: (1) economic theory is abstract and cannot comprise the entirety of factual relations involved in practical problems; (2) economics is an empirical science and must remain so because it lacks the constants on which natural sciences are founded; (3) it deals with "the long run" and with effects on the entire community, while the politician is usually more concerned with immediate results and with the effects of policy on certain influential pressure groups; (4) it is concerned with logical relations between events, while policy is not a logical whole but rather a procedure based on maxims and on shifting group interests.

The errors of the professional economists, we are told, are likely to be those of assuming that economic theory justifies some particular form of organization—socialism or liberalism—and of supposing that neat answers for problems of policy can be derived from a use of limited facts and abstract reasoning. But, after all, theorists are far less likely to gain a hearing from the politician and the public than are the amateur economists. For the latter, who often involve the professional economists in public disesteem, Morgenstern has great contempt. They are "quacks," "pseudo-scientific bravados" and self-servers (p. 130). But, is there any prospect of change for the better? That the amateur can ever be permanently put into his proper place is too much to be expected. Nor is it entirely proper to suppress him. The public gets about the kind of economic policy it deserves. The professional economist is useful to and should assist the policy-determining officers of government. But he can do so effectively and without danger to the profession only if he carefully observes the limitations spoken of earlier in the review. At the close of the book it is suggested that there should be established by the government independent critical bodies that might report to the public on the operation of laws in much the same way that an auditor general reports on the budget.

This is a suggestive book. It is realistic—it may be called cynical by some—and does not gloss over the shortcomings of economic theory and of the public. It should be read by all those who have great hopes for the betterment of public policy through the services of professional economists.

F. B. Garver

University of Minnesota

Principii di Scienza Economica. Vol. I. *Scambio; Produzione; Regime di Coalizione; Economia Corporativa; Quesiti.* By Ricardo Bachi. (Turin: Einaudi. 1937. Pp. xix, 522. L. 50.)

Despite the absence of a preface which would explain that this work is intended as a textbook for beginners in economics, the fact that it is so intended is established by the inclusion of an appendix of some seventy pages containing over a thousand pointed questions designed to aid the student in the study of the text. Judged from the standpoint of its adequacy for the purpose which the book thus sets itself, it must be regarded as passing with more than average distinction the tests that may properly be set in cases of this kind.

The exposition is in general exceptionally clear. The point of view is catholic, without evidencing the sort of jejune "open-mindedness" which takes the form either of an avoidance of positive statements or of a confusing presentation of opposing positions of widely divergent degrees of merit from which the immature student is expected to "choose." In general, the emphasis is upon "partial" equilibrium analysis of the Marshallian

type, the statement of the conditions of "general economic equilibrium" being relegated to a special chapter (chapter 32), in which the formulation is essentially that of Barone.

The aim of the work is that which should characterize a textbook—namely, the statement of what the author believes to be the positive substance of received doctrine upon the subjects which it treats, dissenting views being brought in only in so far as they help to protect the positive analysis from the objections which may occur to the intellectually curious student. The latter, on the other hand, is made aware of the existence of a literature upon the subject, without being exposed to the peril of indigestion from a meal too rich in variety, by references to the names of those principally responsible for the development of the particular doctrine under discussion. For the most part the references are admirably chosen. If there is an occasional citation to a work whose importance may be regarded as hardly great enough to warrant special mention in an introductory text, or an occasional striking omission—as, for example, on p. 235, where no mention is made of Taussig's *Wages and Capital* among the list of authors who have provided "critical expositions" of the wage-fund doctrine—the lapses are so infrequent as to emphasize the general wisdom which characterizes the references otherwise. One of the omissions—namely, the failure to mention either Walras or Pareto in connection with the statement of general economic equilibrium—is presumably to be explained by the fact that such mention is unnecessary in a country such as Italy; though this explanation will hardly satisfy some of the Paretians.

The reader who will look first to see what has been done with the theory of monopoly and monopolistic competition will not be entirely disappointed (chapters 13 and 14). One misses, however, the marginal revenue curve and other devices recently made popular, even though some of the implications of these devices can be found in the exposition; and in general the treatment is less outstanding than that which is to be found, for example, in the recently published revised version of Garver and Hansen's *Principles of Economics*. This, however, is less a criticism of the generally excellent qualities of the book under review than it is praise for the very few authors who have succeeded in presenting a satisfactory textbook formulation of the results of the recent burgeoning in the field of value theory.

ARTHUR W. MARGET

University of Minnesota

NEW BOOKS

BOWLEY, M. *Nassau Senior and classical economics*. (London: Allen and Unwin. 1937. Pp. 358. 15s.)

DALMULDER, J. J. J. *On econometrics: some suggestions concerning the methods of econometrics and its application to studies regarding the influence of*

rationalisation on employment in the U.S.A. (Haarlem: Netherlands Econ. Inst. 1937. Pp. 88. F. 2.50.)

DICKINSON, H. C. *The mechanics of prosperity.* (Baltimore: Williams and Wilkins. 1937. Pp. xvi, 136. $2.)

DOUGLAS, F. C. R. *Social science manual: guide to the study of Henry George's Progress and Poverty.* (London: Henry George Found. of Great Britain. 1937. Pp. 82. 1s.)

ELY, R. T. and HESS, R. H. *Outlines of economics.* 6th ed. (New York: Macmillan. 1937. Pp. xviii, 1064. $3.50.)

FRASER, L. M. *Economic thought and language: a critique of some fundamental economic concepts.* (London: Black. 1937. Pp. xx, 411. 12s. 6d.)

GARVER, F. B. and HANSEN, A. H. *Principles of economics.* Rev. ed. (Boston: Ginn. 1937. Pp. x, 686. $4.)

GEMMILL, P. F. and BLODGETT, R. H. *Economics: principles and problems.* Vols. I and II. (New York: Harper. 1937. Pp. x, 704; viii, 652. $2.50, each vol.)

This new text, designed to serve for a full-year course in general economics, is in many respects an expansion of Professor Gammill's *Fundamentals of Economics,* still available for the one-semester course. The material added is largely illustrative material, new chapters on various economic problems and on the relations of government and business, with several new chapters on socialism, communism, and fascism. A novel feature of the arrangement is the addition of two chapters on consumption at the end of the book.

In the preface the authors announce their intention to use liberally concrete examples and illustrations, to emphasize "analysis and evaluation" rather than "history and facts," and to combine economic principles and problems, rather than to treat them separately. They have followed out their ideas with distinct success. The books abound in concrete examples, and value theory is given relatively less attention than in many texts, but the chapters on value are excellently done. Some of the refinements of marginality are not elaborated, but the authors build up a supply and demand theory so consistent and intelligible that many students should be able to understand it; and the chapter on "The operation of the price system" should give them some idea as to why the problem of value is worth studying—something that many students never grasp, in the observation of the reviewer.

Altogether, *Economics: Principles and Problems* should take a place with the best of American texts in economics. It is written in simple style, but is not superficial in thought. In its social doctrine it is liberal, and critical of the faults in the present system. It deals not only with the way the economic system works, but with the way it *ought* to work. If the reviewer is correct in his belief that some understanding of the liberal position is one of the greatest needs of our students, this text should prove useful. It will doubtless be widely used.

JOHN ISE

GRAZIADEI, A. *Le capital et la valeur: critique des théories de Marx.* (Paris: Lib. Gén. de Droit. 1936. Pp. 387.)

This volume, one of a long series on related subjects that has come from the pen of the author since the war, combines a theory of value with a lengthy criticism of Marxian economics. The argument begins with a consideration of surplus labor and surplus product. In opposition to Croce and others, Graziadei holds them to be economic and not ethical concepts and consequently proper

subjects of an economic investigation. In opposition to Marx, however, he holds that they have no relation to the theory of exchange value. Surplus labor and surplus product are phenomena connected with property ownership and the relation of ownership to the distribution of the social income. From the point of view of the laboring class the fundamental question is not whether in a capitalist economy this class fails to get the whole of its value product but whether in any alternatively possible type of social organization the workers' real incomes would be higher.

The author proceeds from this subject to a treatment of value and price which, interrupted by numerous excursions and sorties in the direction of Marxism, occupies the major part of the volume. He rejects with equal disfavor cost of production and marginal utility as explanations of value and price. Price is a historical phenomenon, the resultant of many antecedent and present human judgments. Perhaps the most interesting and important section of the book is Part VI in which the author elaborates this idea by means of a consideration of the influences determining buyers' and sellers' judgments. In justification of his title the author comes finally in the last chapter to a discussion of some of the problems of capital and interest; but his treatment of this subject is brief and somewhat sketchy.

EDWARD S. MASON

GREEN, W. W. *Natural law in the economic world.* (Boston: Christopher Pub. House. 1937. Pp. 151. $1.50.)

VON HABERLER, G. *Prosperity and depression: a theoretical analysis of cyclical movements.* (Geneva: League of Nations. New York: Columbia Univ. Press. Pp. xv, 363. $2.)

KUCZYNSKI, J. *New fashions in wage theory: Keynes-Robinson-Hicks-Rueff.* (London: Lawrence and Wishart. 1937. Pp. viii, 99. 3s. 6d.)

MICHELS, R. K. *Economics: basic principles and problems.* (New York: Gregg. 1937. Pp. viii, 614.)

MITCHELL, B. *General economics: an introductory text.* (New York: Holt. 1937. Pp. x, 772. $3.)

This volume is an enlarged and revised edition of the author's *Preface to Economics,* published in 1932 and reviewed at length in the AMERICAN ECONOMIC REVIEW of March, 1933.

There are many additions and many changes in this revised edition. The extraordinary episodes in governmental administration and regulation of the economic life of this country since 1932 are given adequate attention. Recent developments in the fields of currency, banking, labor, regulation of industry, security speculation, social security, and, perhaps less adequately, agriculture are presented with attractive clarity and shrewd analysis.

Quite as important from the standpoint of this reviewer are the omissions. The dubious peculiarities of style and tone which distinguished the earlier edition have been satisfactorily eliminated; and with these alterations the book becomes an attractively written text, a provocative, sprightly, and clever presentation of elementary economics. This reviewer is prepared to say that the author has answered affirmatively the question whether such a text can be made interesting.

In the major aspects of method, theory, and presentation there is no material change. The dynamic approach to theory, the vivid biographies of the great masters inserted alongside their theories, and the unrelentingly critical

attitude toward the competitive system are still the outstanding features of a most unusual book.

NEIL CAROTHERS

MOULTON, H. G. *Scientific research in economics and government.* (Washington: Brookings Inst. 1937. Pp. 18.)

Address by the president of The Brookings Institution at the annual meeting of the Board of Trustees, May 21, 1937.

ORESME, N. *Traktat über Geldabwertungen.* Edited by EDGAR SCHORER. (Jena: Fischer. 1937. Pp. iii, 103. RM. 4.50.)

PANTIN, V. *Britain is pawned!* (London: P. S. King. 1937. Pp. xiii, 114. 5s.)

This book is "an attempt to solve two problems: unemployment and exploitation, without destroying individual liberty to produce and consume" (p. ix). The main theme, however, is that interest, defined as "unearned income" from the "spurious capital values" of land, monopoly, goodwill, and national debt, should be eliminated. The method proposed for wiping out this "national liability" is the elimination of taxes on consumption and enactment of heavy taxes on "capital values"; for example, a penal tax on large estates "to come into force at the [owner's?] age of sixty in order to encourage the purchase of life annuities and the transfer of property to heirs so as to reduce savings and increase spendings" (p. 39). Unemployment is thus to be abolished.

Many of the ideas in the exposition are reminiscent of Soddy, the technocrats, and recent popular declaimers against interest payments and national debts as causes of unemployment.

E. R. GRAY

PETERSON, G. M. *Diminishing returns and planned economy.* (New York: Ronald. 1937. Pp. xii, 254. $3.)

ROLL, E. *Elements of economic theory.* (London: Oxford. 1937. Pp. viii, 276. 5s.)

SIDERIS, A. D. *Alfred Marshall (1842-1924).* (Athens: Author. 1937. Pp. 21.)

VON STRIGL, R. *Einführung in die Grundlagen der Nationalökonomie.* (Vienna: Springer. 1937. Pp. viii, 223. RM.5.40.)

VALK, W. L. *De beheersching der wereldeconomie: een onderzoek betreffende de voorwaarden van stabiele welvaart en wereldvrede.* (The Hague: Uitgeversmaatschappij "De Struisvogel." 1937. Pp. 170.)

WATSON, J. *The groundwork of economic theory.* (London: P. S. King. 1937. Pp. x, 196. 9s.)

Economic History and Geography

An Economic History of the Western World. By HARRY ELMER BARNES. (New York: Harcourt Brace. 1937. Pp. xvi, 790. $5.50.)

This work by Professor Barnes is intended "for the course in European economic history." It covers literally the whole range of economic history "from preliterary times" to the latest developments of the New Deal. Beginning with the Stone Age, it traces the economic progress of man from the Ancient Near Orient through the Mediterranean period, the Middle

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Ages, the Industrial Revolution in England and its extension to the rest of Europe thence to Asia and Africa. So far the treatment of economic history follows fairly closely the traditional method. More than half of the book deals with the modern age in terms, it might almost be said, of current American problems. It is this part that differs so widely from the usual treatment. "Finance capitalism" occupies upwards of a hundred pages. The "destruction of mass purchasing power," the "false" theory underlying modern business, the programs for reform, the war, imperialism, Russia, fill the latter part of the book.

The author's likes and dislikes shine through the narrative. This is not in any sense objectionable; but when assertions and conclusions are made without elaboration or a weighing of facts and reasons, the result may well create impressions that are misleading. For example: "Sweden has raised the living standard of its people far above that of individualistic countries" (p. 373); "it (the New Deal) was fundamentally based on the retention of the scarcity economy" (p. 706); ". . . production has expanded since 1850 more rapidly than consumption, primarily because finance capitalism prevented an equitable distribution of wealth and thus restricted the purchasing power of the consuming masses" (p. 494); ". . . one may fairly say that it (technocracy) is the only program of social and economic reconstruction that is in complete intellectual and technical accord with the age in which we live" (p. 649).

These strike the keynote of the latter half of the book. Nor are they conclusions reached after a judicious balancing of the evidence, for the author has chosen to follow Major Douglas, Jerome Davis, Corey, Chase, Loeb, and the rest. No attention is paid to Hansen, Slichter, Keynes, Commons, or other professional economists. No real attempt has been made to explain the functioning of the economic order. There is no indication that the author understands that the capacity to produce is an economic not a technical matter; that the real problem is the allocation of resources to maximize satisfactions—a problem not of mere weight or bulk; that the function of prices and profits has something to do with this.

A marked characteristic of the volume, especially the first part, is the evenness in the treatment of the various topics. There is often a failure to make important factors and influences stand out in bold relief, which may well make it difficult for the student to distinguish between significant factors and insignificant details. The English factory acts are compressed into one small paragraph about equal to the protest of Dickens against the evils of the Industrial Revolution. Little attention is paid to the economy of the Italian cities or the Hanseatic League. But most serious of all, the enormous importance of mercantilism is not appreciated but dismissed in three or four pages. Social credit gets about equal space.

If the facts are at times spread thin because they are not woven into a

general economic analysis or if the generalizations prove misleading, the numerous references on every page and the lengthy bibliography may in part be a corrective. The style is clear and the organization good. This together with the encyclopedic array of facts contained in this large volume will no doubt make it a popular text.

H. F. R. SHAW

Dartmouth College

Collectivism: A False Utopia. By WILLIAM HENRY CHAMBERLIN. (New York: Macmillan. 1937. Pp. vi, 265. $2.00.)

Hitherto Mr. Chamberlin has been known as correspondent of the *Christian Science Monitor* in Moscow from 1922 to 1934, and author of important books and articles on Soviet Russia, but now he gives a broader and less intensive exposition and criticism of the great dictatorships of Russia, Italy and Germany, all of which he regards as phases of collectivism.

One might quarrel, perhaps, with the author's nomenclature and recognize the fact that he is making a case for democracy against dictatorship, but in view of all the evidence presented it is hard to avoid the conclusion that all the dictatorships constitute a serious menace to human liberty with little or no compensation in the form of greater equality, fraternity or prosperity. Nevertheless, the surviving democracies are on the defensive and it is a question whether they can hold out against the rising tide.

Fortunately or unfortunately, economic conditions in the "collectivist" states are far from satisfactory. Italy's finances, public and private, are in a bad way; Germany is sacrificing prosperity on the altar of patriotism; and Soviet Russia has starved and "liquidated" millions of her people for the sake of industrialization and agricultural collectivization. Fascists and nazis shudder at communist brutality, while communists cry out against fascist barbarity; but, as Mr. Chamberlin says, it is a case of the pot calling the kettle black, for they are all tarred with the same stick.

The dictatorships, of course, have accomplished something, though at fearful cost of life, liberty and well-being; and by way of comparison the good points of democracy, with all its faults, are more clearly seen. It is a question, then, of social survival, in which, according to the author, liberty plays a decisive rôle, with much better material results and vastly less cruelty, oppression and injustice than one finds under any dictatorship. Mr. Chamberlin is hopeful as to the outcome if only the leaders of the democracies can and will rise to the occasion. Thus he says, "Democracy's prospect of survival in the face of the challenge of communism and of fascism is bound to be in precise proportion to its ability to keep the avenues of advancement, political and economic, unblocked by monopolistic privilege, whether based on birth or on wealth."

Although Mr. Chamberlin finds many points of resemblance between

communism and fascism and would say, with Mercutio, "A plague o' both your houses," one may guess that, if it came to a choice of two evils, he would prefer the latter. At any rate, after twelve years as resident journalist in the U.S.S.R., and much prudent reticence, he is now able to tell the whole truth without fear or favor, and is by no means eulogistic of the Soviet experiment. In one place he admits that the Soviet Union has made noteworthy strides in industrial development, but as to the cost of it all he makes the following significant statement: "The Russian people, if one may accept the plain evidence of Soviet statistics, are worse fed than they were two decades ago under Tsarism." And as to the peasants, who still constitute the great bulk of the population, he writes:

> If the standard of living of the Russian worker resembles that of the unemployed in America and Western Europe, the status of the peasant, as regards food, housing and clothing, is comparable with that of the poor share-cropper. Indeed, the economic position of the whole Russian peasantry is that of share-croppers, with an all-powerful state as landlord, telling them what and how much they must plant, how much they must deliver to the towns, how much they may keep, what they shall receive for their labor.

Neither communists nor fascists like to be compared to one another, but, as Mr. Chamberlin shows, the list of parallels in political and economic practice is quite striking, and in no respect more so than in the treatment of resident journalists. Whether in Moscow, Berlin or Rome, the journalist must be acquiescent, enthusiastic, or at least exceedingly circumspect in all his ways if he wishes to be *persona grata* to the administration and at the same time provide his reading public with a sufficient supply of partial truth. As Mr. Chamberlin says, "His telegrams are censored; his mail is tampered with; he soon becomes conscious of official discrimination; and, if he fails to mend his ways, expulsion from the country or, what amounts to the same thing, refusal of permission to return to it, is likely to be his ultimate fate."

In view of such experience and Mr. Chamberlin's more recent writings, one may safely guess that he will not represent his paper in any of the "collectivist" countries for a long time to come.

J. E. LeRossignol

University of Nebraska

The Ordinance Book of the Merchants of the Staple. By E. E. Rich. Cambridge stud. in econ. hist. (New York: Macmillan. 1937. Pp. 210. $4.50.)

In 1359 English merchants were allowed to export their own wools and to set up an organization at Bruges for the purpose of controlling the trade. The staple was transferred to Calais in 1363. The organization thus estab-

Ordinances. In discovering and editing this previously unrecorded work

lished was later called the Staple Company of England and controlled, with certain exceptions, the export of English wool until the end of the Middle Ages.

The sixteenth century was one of decay for the Staple organization. Specially licensed competitors and unusually heavy taxation took their toll. Far more fundamental in this decline, however, the steady and rapid growth of the English clothing industry foredoomed to extinction the export of wool from England. Not only did this development increasingly curtail the amount of wool for export, but it provided Flemish weavers with competition against which they fought a losing battle; and Flemish weavers provided the market for the English Staplers. Bruges became the continental mart after the Merchants of the Staple were excluded from Calais in 1558. But things continued to go from bad to worse. Licensees increased in number. Smuggling was rampant. Britain's religious quarrel with Spain brought matters to a head. On the defensive at home and in danger of ruination abroad, the Staple Company drew up in 1565 its Book of Ordinances in an attempt "to reconstruct and interpret the customs of the Company (records of which had been lost in the seizure of Calais) as they were when it dominated not only the trade of England but of much of Europe as well." The ordinances "show that in every respect the Staple Company was the archetype of regulated company and that the breadth of scope, combined with the minuteness of detail, of the regulations left the individual constantly restricted in the interest of the many. In 1565 there was not a process in the whole trade which was not subject to regulation by the Company."

In his introduction, Professor Rich outlines the history of the Company from its inception in 1359 to its technical extinction in 1928. That sketch is a fascinating story of Britain's most famous industry. By the latter part of the sixteenth century the English cloth industry had practically ruined the export of raw wool and the Staplers, their own ordinances notwithstanding, were driven to wool-broking within the country. The ban on the export of wool in 1614 was largely the legal recognition of a fact and marks the end of the Staplers "as a regulated company for foreign trade." By the middle of that century the Company dominates the wool supply of the country. With the industrial and commercial changes of the late eighteenth and early nineteenth centuries, the Staple Company drops into the background and practically vanishes from sight. In 1887 it emerges from obscurity for a moment in a victorious law-suit against the Bank of England. At this time it had "dwindled down into something like a family party" the members of which dined together twice a year. In 1928 the remnants decided to terminate the Company, and its records were turned over to the British Museum. Among those records is *The Old Book of the*

Ordinances. In discovering and editing this previously unrecorded work, Professor Rich has made a fascinating and valuable addition to our knowledge of English economic history.

LORNE T. MORGAN

University of Toronto

The Twilight of American Capitalism: An Economic Interpretation of the New Deal. By A. S. J. BASTER. (London: P. S. King. 1937. Pp. ix, 218. 9s.)

This stimulating book, written in animated style from the viewpoint of an English Liberal, is a scholarly appraisal, based on careful study and a broad perspective, of the aims, policies and implications of the New Deal. While sympathy for the objectives of the program and an appreciation of the conditions which called it forth are clearly manifested, there is incisive criticism of specific measures adopted and scepticism as to the desirability of an extended system of governmental intervention and planning.

The objective of the essay is said to be "limited to examining the consequences of the rejection of competition in industry, in agriculture and in finance"; and it is stated that "constructive proposals appear only by implication." Intervention in each of the above fields is considered in turn, very briefly on many points, although always with an eye to the fundamental issues involved. It is to the brevity of the discussion, perhaps, that some obscurity and an occasional flare of sweeping generalization are due. For example, on page 6 it is stated that "it seems probable that Mr. Hoover was constitutionally prevented from dealing with troubles which his policies alone would not have produced, and that Mr. Roosevelt successfully repaired damages which his election alone rendered inevitable." Yet the author believes that the appearance of the New Deal was not merely a coincidence of the change of administration in 1933. It is conceded that circumstances called for "heroic measures" to cope with intolerable conditions, a deep popular revulsion against the competitive system, and the consequent improbability of a "natural" recovery. Thus, some *emergency* salvage work was necessary, and the temporary restoratives administered by the R.F.C., F.C.A., and H.O.L.C. are approved.

Beyond these concessions, the New Deal interventionist program is not granted many virtues. Among the evil results of the new regime are cited the establishment of statutory monopolies, displacement of "systematic" bargaining by "monopolistic bullying" under the N.R.A., the "gradual petrification of industry," the disruption of "normal" economic relationships both foreign and domestic, decreased production and increased unemployment, exploitation of consumers by higher prices and regressive (processing) taxation, arbitrary action by administrators, the creation of

and encouragement to vested interests, and the growth of pressure groups menacing to democracy.

In the concluding chapter, the implications of governmental intervention as a permanent policy are examined in the light of the central idea around which the book is written, which is "that a freely competitive economic system is the best guarantee for effective democracy that has yet been devised." It is granted, however, that some intervention is necessary, because "the competitive system needs a 'background' of minimum social requirements for the effective formation of free prices." And intervention is permissible where it can be shown to improve the system. What specific limitations upon and sanctions for governmental action these general prescriptions imply is not made altogether clear. But it is held that intervention ought to be sparingly used, lest democracy be lost in an ever-expanding authority over economic affairs. Hence, the allegation that by the New Deal democracy is to be safeguarded is challenged. Criticisms of the competitive system are considered to be unfair when they fail to take into account that the so-called competitive system was "honeycombed with giant monopolies." On the constructive side, "a return to a more *consistent* competitive system" is advocated. How this might now be accomplished is not discussed; but it is pointed out in a preceding chapter that "choices" of the Supreme Court ("accompanied by the most breath-taking intellectual gymnastics") and the prejudices of lawyers have had much to do with shaping the "competitive" system that has emerged.

B. N. Behling

University of Illinois

NEW BOOKS

Allen, J. S. *Reconstruction: the battle for democracy (1865-1876).* (New York: Internat. Pubs. 1937. Pp. 256. $2.)

This volume is the second in the general series, "A History of the American People," edited by Richard Enmale. The author, Mr. Allen, has previously published *The Negro Question in the United States.* In the present volume he devotes special attention to the negroes during the reconstruction period and criticizes American historians for their distorted descriptions of negro problems during that period. One chapter deals with the labor movement.

Anderson, S. A. *Viking enterprise.* (New York: Columbia Univ. Press. 1937. Pp. 164. $2.25.)

Arena, C., and others. *La camera dei fasci e delle corporazioni.* (Firenze: Sansoni. 1937. Pp. 253. L.18.)

Barone, E. *Le opere economiche.* Vol. I. *Scritti vari.* Vol. II. *Principi di economia politica.* (Bologna: Zanichelli. 1936. Pp. xix, 462; xviii, 720. L.30; L.50.)

These two volumes contain all the writings, except occasional papers, aids to study and the like, of one of the most distinguished Italian economists of the past generation. Barone was a pupil of Pareto, and both were followers of Ferrara. Volume I presents the author's miscellaneous papers in rather rigorous chronological order, covering a wide variety of topics, such as con-

sumer's rent, Wicksell and, at particular length, problems of distribution, finally an introduction to colonial theory in which the essentially theoretical is emphasized rather than the factual as in Leroy-Beaulieu. Volume II can be regarded as the definitive edition of Barone's principles of political economy, in which financial questions, following the author's predilection, are given emphasis. Completed during the war, this work has an important section on the crisis to be expected after the war. Both volumes are marked by unusual clarity of expression; and both presuppose more than ordinary mathematical training on the part of the reader.

R. F. FOERSTER

BIRD, V. E. *Early beginnings of Connecticut industry.* (Princeton: Princeton Univ. Press. 1937. Pp. 35.)

Address delivered before the American branch of the Newcomen Society of England, at Philadelphia, on March 19, 1937.

BORGESE, G. A. *Goliath: the march of fascism.* (New York: Viking. 1937. Pp. 492. $3.)

BOWDEN, W., and others. *An economic history of Europe since 1750.* (New York: Am. Book Co. 1937. Pp. 956. $4.25.)

BROOKS, L. M., and others. *Manual for southern regions, to accompany Southern regions of the United States,* by HOWARD W. ODUM. (Chapel Hill: Univ. of North Carolina Press. 1937. Pp. xiv, 194. $1.)

BROWN, F. J. and ROUCEK, J. S., editors. *Our racial and national minorities: their history, contributions, and present problems.* (New York: Prentice-Hall. 1937. Pp. xxi, 877. $5.)

EINZIG, P. *World finance, 1935-1937.* (New York: Macmillan. 1937. Pp. xvi, 342. $3.)

Mr. Einzig has written another of his comprehensive, gossipy and enlightening books on financial conditions. He admits in his preface the characteristics which a critic might mention as limitations of his book. He is deliberately dramatic in describing events, and definitely committed to a certain point of view and interpretation. His whole description of monetary events sounds like a battle-cry. He misses no opportunity of condemning what he considers to be a short-sighted and destructive attempt to continue deflationary influences in a number of countries. He admits the close interrelation of politics and money, but having done so, he then implies that mistakes in the field of money were governed by false theories and abstract ideas rather than by the struggles of different groups and parties.

One may very well question whether a conflict of general principles alone could have sufficed to bring about the intense struggles over financial policy in France, Belgium, Holland, Switzerland and other countries, which he has discussed in detail. Those who have lived in these countries know that there has been a much more clear-sighted and conscious awareness of class interest and special advantage and comparatively little stubborn adherence to monetary doctrines. If a theory is brought forward in connection with a governmental policy, it is almost always to give respectability to a course of action which a powerful group desires.

Mr. Einzig is quick to see behind many superficial utterances and false claims, but he sometimes overlooks some of the realities in his attacks on the stabilization groups. One is inclined to consider his discussion as no less rigid and insistent than the ideas of some of the classical economists. One

could use certain passages as indications that he forgets that stability may be a legitimate goal in a world where peace is a reasonable hope.

The stirring episodes that he describes are indeed no less critical than he has claimed, but the exposition falls in the middle between two very desirable types of discussion. On the one hand he might very well bring together in a more contemplative manner the financial and political influences to give an interpretation of the composite result; or, on the other hand, if he was willing to narrow his field, he could give some theoretical analysis of important events, many of which have been insufficiently analyzed so far. Although he does not do either of these things, it is still true that his book is readable, interesting and provides a preliminary analysis available more promptly than some of the more intensive studies of special problems of monetary phenomena. He keeps the reader generally informed, and thus performs a useful, if somewhat specialized service.

ELEANOR LANSING DULLES

EMMISON, F. G. *Types of open-field parishes in the midlands.* (London: Historical Assoc. 1937. Pp. 15. 1s.)

EYRE, E., director. *European civilization: its origin and development.* Vol. V. *Economic history of Europe since the Reformation.* (New York: Oxford Univ. Press. 1937. Pp. vi, 1328. $7.50.)

Of the four parts of this work, only the first two (pp. 1-637) are economic history. A slight and agreeable stretching of that subject may be made in order to include the first contribution in part 3, "Modern sociological theories of wealth," by A. E. Feavearyear. This is a spirited digest of mercantilist, laissez-faire, classical and socialist doctrines. A long chapter (pp. 1087-1260) on naval and military developments in modern times is technical, and completely misses an opportunity often embraced—namely, the treatment of the military market for mass output as a factor in economic history.

The economic history half of the book consists of essays, quite uneven in length, unconnected by any obvious plan (except in part 2), and variegated as to conception, structure, outlook—let us say as to the reading public in the minds of the writers. A brief review can hardly do more than illustrate with samples of work which is painstaking and interesting.

Margaret James opens the volume with a well-knit study in 111 pages concerning the effect of sixteenth and seventeenth century religious changes upon economic life and thought. The other outstanding chapter in part 1 is the last, "The growth of the population of Europe," by A. M. Carr-Saunders (pp. 326-396). It is a well-constructed review of population theories, as well as of the facts. Between these two studies are rather cursory essays on the European peasantry, 1600-1914, by Montague Fordham, European agriculture since 1750 by R. R. Enfield, and industry since the Middle Ages by Arthur Birnie.

Part 2 (pp. 397-637) consists of four sections by A. V. Judges, A. E. Feavearyear (two) and R. G. Hawtrey on "Banking, finance and monetary institutions." Hawtrey and Feavearyear trace British and American banking and finance, respectively, from the end of the eighteenth century, the second writer paying some attention to other countries. Both essays are valuable. The contribution of Judges, "Money, finance and banking from the Renaissance to the eighteenth century," perhaps comes the nearest of anything in the book to the economic historian's notion of the way in which a topic of fundamental importance should be delimited and treated. This author does not limit himself

to money, prices and the financial superstructure, but firmly weaves in such problems as standards, local institutions and the rise of credit transactions.

The reviewer of such a work of collaboration should probably attempt to say for whom the result seems to be, as well as for what. This book will not convery to anybody a connected notion of economic development since the Renaissance. It is a library and desk work, some chapters in which the wary reader will consult over and over. Others may be of some use to the complete novice, but he would do better, in the reviewer's judgment, by cutting his teeth on treatments more systematically planned.

M. M. KNIGHT

"GERMANICUS." *Germany: the last four years. An independent examination of the results of national socialism.* (Boston: Houghton Mifflin. 1937. Pp. 116. $1.75.)

An exceptionally clear and concise statement of Germany's economic situation, created by national socialism. This brief volume represents the work of a dozen German leaders, some of whom are still active in Germany. The contributions were first published in *The Banker,* in February, 1937. The foreword is by Sir Walter Layton, editor of *The Economist.*

HELANDER, S. *National Verkehrsplanung.* (Jena: Fischer. 1937. Pp. viii, 440. RM.7.50.)

HEWITT, J. N. B., editor. *Journal of Rudolph Friederich Kurz: an account of his experiences among fur traders and American Indians on the Mississippi and the Upper Missouri Rivers during the years 1846 to 1852.* Translated by MYRTIS JARRELL. Bur. of Am. Ethnology bull. 115. (Washington: Supt. Docs. 1937. Pp. ix, 382. 60c.)

HOMMEL, R. P. *China at work: an illustrated record of the primitive industries of China's masses whose life is toil, and thus an account of Chinese civilization.* (New York: Reynal and Hitchcock. 1937. Pp. 376. $5.)

HOOVER, C. B. *Dictators and democracies.* (New York: Macmillan. 1937. Pp. xi, 110. $1.50.)

An interesting collection of five articles on "Dictators and democracies," "Twenty years of a totalitarian state," "The dictators march," "Dictatorship and property," and "The totalitarian tide." Three of these have previously been published in the *Virginia Quarterly Review.*

JENKINSON, H. *A manual of archive administration.* (London: Lund Humphries. New York: Wilson. 1937. Pp. xvi, 256. 12s. 6d.)

JENNINGS, W. S. *A history of the economic and social progress of the American people.* (Cincinnati: South-Western Pub. Co. 1937. Pp. xiii, 811.)

KLIMM, L. E., STARKEY, O. P. and HALL, N. F. *Introductory economic geography.* (New York: Harcourt Brace. 1937. Pp. viii, 492. $4.)

This new textbook is designed for college students without special training in geographic science. The requisite background material is capably presented with a minimum of technical verbiage and some very good graphic illustrations. About one-sixth of the volume is given to these fundamentals with special emphasis on climate. Something more than a third of the space deals with primary commodities: foods, raw materials, and fuels, together with the economic geography of manufacturing, cities, and commerce. The remainder treats regional geography by major political and geographical divisions. These proportions give a good balance between the different approaches and the incidental repetition involved is more advantageous than otherwise.

The authors stress general principles and logical analysis more than factual

detail. Economic and geographic information is presented to support lines of reasoning rather than to display or promote erudition. Questions are inserted every two or three pages to provoke thought or further study.

The large format of the volume, 8½ by 11 inches, will repel some, but it has its advantages. Maps and charts are all printed horizontally above or facing the textual discussion. Graphic material including maps has in large part been specially prepared for this book. Climographs are introduced in the chapter on typical climates of the world and are utilized again in the concluding regional surveys. The photographic material is grouped on nine full-sized plates inserted at appropriate intervals.

The authors have not attempted to present any novel theories, but rather to organize familiar material in a readable and teachable manner. This reviewer considers the volume well adapted for freshmen and sophomores in commerce or liberal arts courses. He would omit criticism of various factual minutiae, but a few comments may be permitted. The foreign trade bar charts for the various countries (part 5) would have been more representative had they been constructed for an average of five years instead of the single depression year usually chosen. The United States favorable balance of trade did not decrease in the post-war decade (pp. 319-320) but showed a marked increase. And many economic theorists would disagree with the explanation of economic rent which makes it dependent solely upon differences in the quality or situs of land (p. 124).

Robert B. Pettengill

Knoop, D. and Jones, G. P. *An introduction to freemasonry.* (Manchester: Manchester Univ. Press. 1937. Pp. vii, 136. 3s. 6d.)

This little book contributes much to the critical establishment of the primary outlines of the history of operative and speculative masonry. The difficult task of distinguishing between legend and history has been accomplished with unusual success. The term "freemason" referred originally to any worker in "free" stone. The fine-grained sandstones and limestones were used on work which required sculpture or cutting to sharply defined geometrical patterns. The freestone masons were, thus, the most highly skilled group among the workers in stone. The restrictive meaning of the term, however, was lost at an early date. Documentary evidence of formal organization becomes available only in the thirteenth century, though the amount of building in stone suggests earlier origins. At this time, the organization was a strictly craft affair including only operative masons. The studies of the authors emphasize the unity of the masonic organizations of the Middle Ages and the continuity of development throughout the sixteenth and seventeenth centuries. At no time were there any sharp distinctions between masons working on Gothic buildings and masons working on castles and bridges. The decline in ecclesiastical building after 1450 was fully offset by increased use of stone in domestic and civic building.

The beginning of speculative masonry can be identified with the early sixteenth century. Non-operative members of the higher classes associated themselves with the masons, for various reasons. Antiquarians and ecclesiastics became interested in the legends and gave them new emphasis. Old ceremonies were worked over and developed. King Solomon's Temple is not mentioned at all in the MS. rules of 1390. A short reference occurs in the rules of 1425. The account is much longer in the sixteenth and seventeenth-century versions of the rules, but it reached its full compass only in the early eighteenth century. These changes were closely associated with the development of symbolism;

the extant documentation is suggestive, but the full detail of the transition cannot be traced. Even the genesis of the first three degrees is obscure at many points. The ritual was not fully developed until the early eighteenth century. It is possible to sketch the general features of the process, and we could scarcely expect to push critical analysis much further. In this volume no attempt is made to deal with the rapid growth of speculative masonry in the eighteenth century.

ABBOTT PAYSON USHER

LASSON, N. B. *The history and development of the Fourth Amendment to the United States Constitution.* (Baltimore: Johns Hopkins Press. 1937. Pp. 154.)

MACLAURIN, W. R. *Economic planning in Australia, 1929-1936.* (London: P. S. King. 1937. Pp. xv, 304. 15s.)

DI MISURATA, G. V. *Economic progress of fascist Italy.* (Rome: Confed. Fascista degli Industriali. 1937. Pp. 29.)

OMAN, C. *A history of the art of war in the sixteenth century.* (New York: Dutton. 1937. Pp. xv, 784. $6.)

PATTERSON, E. M., editor. *The United States and world war: a consideration of the likelihood of world war in the near future and the attitude of the United States toward such an event.* Annals, vol. 192. (Philadelphia: Am. Acad. of Pol. and Soc. Sci. 1937. Pp. xii, 260. $2.)

PIRENNE, H. *Economic and social history of medieval Europe.* (New York: Harcourt Brace. 1937. Pp. xii, 243. $2.)

Many readers may already be familiar with this excellent interpretation of medieval life, and those who have not seen either the French or the English text must know the more distinctive elements of Pirenne's view on the Middle Ages. His positions on the Mohammedan advance of the seventh century, the rise of the towns, and the importance of capitalism in medieval life have long been fully available in the literature of medieval history. But even those who know Pirenne's work well will admire the fluency and felicity of this compact sketch of the growth of the economic institutions of the Middle Ages. The systematic treatment brings out many points that are fresh and stimulating, and there is much information which rarely finds its way into the general texts. This final product of the great scholar achieves the directness and simplicity of a classic. It will be of inestimable value to teachers who need a short description of economic development in the Middle Ages.

A. P. U.

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SLOAN, P. *Soviet democracy.* (London: Gollancz. 1937. Pp. 288. 6s.)

TRIVANOVITCH, V. *Economic development of Germany under national socialism.* Stud. no. 236. (New York: Nat. Industrial Conf. Board. 1937. Pp. xvii, 141. $3.50.)

WILCOX, J. K., compiler. *Guide to the official publications of the New Deal administrations: second supplement, December 1, 1935—January 1, 1937.* (Chicago: Am. Library Assoc. 1937. Pp. 190, mimeographed. $1.75.)

ZOTTMANN, A. *Die wirtschaftspolitik Friedrichs des Grossen, mit besonderer Berücksichtigung der Kriegswirtschaft.* (Leipzig: Franz Deuticke. 1937. Pp. vi, 181. RM.12.)

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Extracto estadistico del Peru, 1934-1935. (Lima: Dirección Nacional de Estadística. 1937. Pp. xxv, 379. Gratis.)

The national income of Poland. Monog. no. 4. (Birmingham: Birmingham Inf. Serv. on Slavonic Countries. 1937. Pp. 15.)

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République Tchécoslovaque: annuaire statistique. (Prague: Office de Statistique. 1937. Pp. xvi, 317. 40 Kč.)

République Turque: annuaire statistique, 1935/36. Vol. 8. (Ankara: Office Central de Statistique. 1937. Pp. ix, 503.)

State law index. No. 5. (Washington: Supt. Docs. 1937. $1.75.)

Covers laws of 1933 and 1934.

Statistical year-book of the League of Nations. (Geneva: League of Nations. New York: Columbia Univ. Press. 1937. Pp. 330. $2.50.)

Technological trends and national policy, including the social implications of new inventions. Report of the Subcommittee on Technology to the National Resources Committee. (Washington: Supt. Docs. 1937. Pp. viii, 388. $1.)

This first report on the science resources of the United States deals with new inventions and their social implications. The survey, prepared by different scientists and engineers, covers agriculture, mining, transportation, construction industries, power production, chemical industries, and electrical manufactures. It contains a large amount of technological data bearing upon the problem of unemployment.

World economic review, 1936. Part 1. *United States.* (Washington: Supt. Docs. 1937. Pp. 114. 15c.)

World economic survey, sixth year, 1936/37. (Geneva: League of Nations. New York: Columbia Univ. Press. 1937. Pp. 261. $1.50.)

This comprehensive survey is now in its sixth year of publication. It includes chapters on the effect of the Tripartite Agreement of 1936, increased prosperity in raw material producing countries, re-armament and its economic effects, reduction of unemployment, lag of international trade in foodstuffs, price levels, control of credit, trade cycle, and the monetary situation.

World production and prices, 1936/37. (Geneva: League of Nations. New York: Columbia Univ. Press. 1937. Pp. 136. $1.25.)

This issue adds an index of stocks of primary commodities as a link between the world-index of primary production and the index of industrial activity.

Agriculture, Mining, Forestry and Fisheries

Three Years of the Agricultural Adjustment Administration. By Edwin G. Nourse, Joseph S. Davis, and John D. Black. (Washington: Brookings Institution. 1937. Pp. xiv, 600. $3.50.)

This is the seventh and concluding volume reporting the results of the Brookings Institution's concurrent study of the operations of the Agri-

cultural Adjustment Administration. The preceding volumes dealt with marketing agreements, wheat, the dairy industry, tobacco, livestock, and cotton under the A.A.A. In this seventh volume the three authors, who were the leaders in the study, summarize the findings of the studies and appraise the accomplishments of the Agricultural Adjustment Administration during the three years 1933, 1934 and 1935.

The authors point out that the Agricultural Adjustment act was the result of gradual evolution in national policy toward agriculture. The first stage in this evolutionary process was the agitation for "equality for agriculture" in the form of the proposed equalization fees of the McNary-Haugen bill and the export debenture plan of the Grange. The second was the administration of the Federal Farm Board with its powers to encourage agricultural coöperation and to conduct "stabilization" operations. The third stage was the Agricultural Adjustment act and the work of the Agricultural Adjustment Administration. It is with the latter stage that this volume is concerned.

The authors recognize the difficulty of estimating the reduction in production secured under the control programs but give their best estimates of the extent of the reduction. These estimates are: wheat, not more than 50 to 60 million bushels in the two years to which the 1933-35 contracts applied; corn, 90 million bushels in 1934 and in excess of 200 million bushels in 1935; hogs, 1.4 billion pounds in the commercial supply for the year ending November 1, 1934, and 800 million pounds in the following year; cotton, 10 to 13 million bales in the three years, 1933-35, of the control and tax programs; cigar filler and binder tobacco, no appreciable reduction; flue-cured tobacco, possibly 250 million pounds; and Burley tobacco, 200 million pounds. It is concluded that the effectiveness of these control programs was "such as make them practicable in emergency periods."

The commodity loans of the A.A.A. were little used by producers of corn. In the case of the cotton loans "it is very doubtful if they yielded significant net benefits to growers." The "ever-normal granary" idea and crop insurance are closely related to commodity loans. Concerning crop insurance the authors conclude recent experience "indicates that a large governmental undertaking in crop insurance if put on a strictly actuarial basis would be of substantial benefit in the better farming areas. To have much appeal to poorer sections, however, it would need to involve a substantial element of subsidy."

The purchase and diversion activities of the A.A.A. are appraised and the conclusion reached that "if the support of farm prices in particular situations is recognized as a function of government, relief disposal is one method for carrying out this purpose that shows sufficient net advantage to justify further experimentation."

Marketing agreements are found to give useful results within the fields

where they are adapted. They seem best adapted to highly developed, specialized, producing territories where the producers are working together and are far from market.

The authors conclude that the programs increased the incomes of farmers during these three years, either as a result of price improvement or in benefit payments by the following amounts: wheat farmers, 350 to 360 million dollars; cotton growers, some 780 million dollars; corn and livestock producers, about 320 million dollars; tobacco growers, 150 to 200 million dollars practically all of which was derived from the margins of manufacturers; and to all farmers including the foregoing, a total of 1.8 to 2 billion dollars less 10 to 25 per cent allowance for farm-consumed farm products on which there was no gain.

The greatest relative gains were secured by the principal southern tobacco producing areas. The cotton producing South was second in relative gains and first in total gains. Next in relative gains were the major wheat producing areas. The "farmers in the northeastern states derived little benefit from the adjustment efforts and suffered slight burdens from several programs which benefited other states."

The conclusion is reached that, as a recovery measure, the effect of the A.A.A. programs was on the positive rather than the negative side.

In their summary chapter the authors review the philosophy of the A.A.A. and "concur . . . in the basic claim of the A.A.A. that to put agriculture in a wholesome place in the national economy, we need to experiment with and, so far as possible, perfect new institutions for integrating group action on a wider scale. . . ." While agreeing with the basic principle of the A.A.A. the authors do not give unreserved endorsement to the program in practice which "has taken on such a character, particularly through its definition of the basis of payment, as places minor emphasis on true agricultural adjustment and major emphasis on disbursing a very large amount of money to the maximum number of farmers." In spite of faults and difficulties in administration, the authors conclude that "we believe that some such agency for coördinating action in this loosely organized industry is needed from this time forward."

The three authors are not wholly agreed on all points as is indicated by an occasional footnote and the supplements by Davis and Black. However, their differences were of a minor character and do not affect the major conclusions reached as a result of the study.

This and the preceding six volumes giving the results of this concurrent study of the A.A.A. are of unusual value to the student of the agricultural problem. More studies of this type are needed to aid in guiding national policies and in formulating workable programs.

W. E. Grimes

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International Control in the Non-Ferrous Metals. By WILLIAM Y. ELLIOTT, ELIZABETH S. MAY, J. W. F. ROWE, ALEX SKELTON, and DONALD H. WALLACE. (New York: Macmillan. 1937. Pp. xxi, 801. $6.50.)

The primary purpose of this volume as conceived by its sponsor, the Bureau of International Research of Harvard University and Radcliffe College, was to reveal the international implications of production control schemes sought by producers of certain basic materials having a world market. A secondary result has been the collection of several excellent essays on the economic aspects of the non-ferrous metal industries and some contribution to the theory of prices under imperfect competition.

The separate studies give for each of six non-ferrous metals an account of the physical background, a brief historical survey, a description of cartel efforts both national and international, and a discussion of political implications. Counting a brief chapter on the mechanics of international cartels, Mr. Skelton, research economist of the Bank of Canada, contributed more than half the book, including chapters on the nickel, copper, lead, and zinc industries. Aluminum is handled by Dr. Wallace, and tin by Professor May who also provided special studies of the copper, lead, and zinc industries of the United States. The summary and evaluation which should interest many beside those concerned with the particular industries involved was written from the general and political approach by Professor Elliott, the editor, and from the economic angle by Professor Rowe.

Unfortunately the industry studies are not up to date by some two to three years. Much has occurred to alter the complexion of some of the industries involved, such as the upswing in business and the invalidation of N.R.A. codes. When Mr. Skelton wrote his chapter on the copper industry early in 1934, he was sceptical of the possibility of concluding another international production control agreement. However, such a cartel was formed in March, 1935, and has now functioned successfully for more than two years without being mentioned in the book. The excellent statistical tables and graphs end mostly with 1933, though a few include 1934 figures. Tin is the only industry whose description gives evidence of any revision through 1936.

Of the six metals studied, the most successful controls were those set up for nickel, aluminum, and tin, in that order. Nickel and aluminum are special cases because the ownership of producing units is concentrated in a few hands. Tin also presented an easier problem because only a few producing areas were involved and those in colonial or semi-colonial countries. Copper, lead, and zinc presented the greatest difficulties in cartel formation and operation.

The experience of the non-ferrous metal industries indicates that attempts at artificial control are inevitable whenever technological changes or the discovery and development of new mines create excess capacity. Marginal

producers will not readily drop out unless or until their prime costs are greater than the total costs of the new production. Yet the lure of expected future profits may bring new production before such a situation exists. The resulting price war will then hurt nearly all producers and cause them to seek an agreement to limit production even in good times. Aggravating this situation from the demand side is the fact that since these metals have a derived rather than a direct demand, the volume of sales does not rise appreciably with a decline in price. Cartels thus established are unstable unless demand increases rapidly. They are also obviously uneconomic, and the usual laissez-faire elimination of the least fit is socially more desirable.

In a depression, falling demand will lower prices and profits even though there is no excess capacity at the outset. Here, according to Messrs. Rowe and Skelton, production restriction should be encouraged. If marginal firms are eliminated, they will have to be resurrected or others started when business becomes prosperous again. In the mineral industries such a procedure is costly and apt to result in a speculative boom. Agreements, however, are hard to conclude because the low-cost producers can still make a profit. Even the high-cost producers for a time can cover prime costs. As a result, production continues, stocks accumulate, and prices fall until everyone is desperate. Then when cartel negotiations do succeed, much damage has been done. Mr. Rowe also suggests that any abrupt increase of prices at the beginning of the upswing may discourage those capital industries upon whose expansion demand depends. It would be much better if the cartel could begin earlier and end at the stage when it usually begins. An early start, however, would require government intervention to bring the low-cost group into line; and when national barriers divide the high- and low-cost producers this becomes difficult. Governments of low-cost countries are not likely to be more far-sighted in their nationalism than the industries themselves in their capitalism. Furthermore, the incubus of government assistance, once invoked, is difficult to shake; and efforts to return to laissez faire at the end of the depression are likely to be of no avail.

Governments of high-cost countries often try to preserve marginal producers for military or sentimental reasons. The social pressure in democratic countries for legislation "to protect domestic labor," etc., is tremendous. Whence tariffs, import quotas, exchange manipulation, and other devices well summarized by Mr. Elliott. Within these economic walls, national cartels are permitted or even encouraged and international organization for the good of the industry then faces political barriers as well as economic ones.

One result of this political disturbance is the rise of regional groupings like the British Empire, the United States and Latin America, France and Belgium, within whose orbit the non-ferrous metals move rather freely, but which resist entrance from without and sometimes try to dump over tariff

walls. Mr. Elliott is rightly apprehensive over the trend in this direction. Not only does it mean uneconomic development of the world's mineral resources, but there is a serious menace of war in the competition between these rival groups. Chapter by chapter the authors point out connections between the political aspirations of various powers and their quest for the metallic sinews of modern war.

ROBERT B. PETTENGILL

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The Ejido: Mexico's Way Out. By EYLER N. SIMPSON. (Chapel Hill: Univ. of North Carolina Press. 1937. Pp. xxi, 849. $5.00.)

This book is a study of the origin, progress and future of communal agricultural lands (the *ejidos*) in Mexico. The *ejido* has gained its modern significance in Mexico from the fact that following the revolution of 1910 an attempt was made to solve the agrarian problem by the creation of communal land-holdings. In 1910 probably 95 per cent of the heads of rural families were propertyless. Most of the land was held in *haciendas* (large landed estates of over 2,500 acres). This land monopoly, and the peonage which it involved, was one of the major causes of the revolution, as indicated by the revolutionary slogan of "Land and Liberty." Article 27 of the Constitution of 1917 provided the legal basis for grants of land to villages. Villages which had been deprived illegally of their communal lands after 1856 might seek their restoration. In addition, certain specific types of communities were entitled to petition for land by demonstrating a need for it.

In the present study Mr. Simpson traces the course of the agrarian program, both legally and in operation, to 1933. By the end of 1933 approximately 19,000,000 acres of land had been granted definitively to 4,090 villages, to the benefit of 754,577 heads of families. At that time there were also provisional grants of some 7,500,000 acres to 2,377 communities awaiting final action. Most of the lands have been granted by the method of gift (dotation). The restitution of lands to villages has accounted for only 15 per cent of the grants. The agrarian program is still in progress, but even now Mexico is predominantly a land of *haciendas*. In 1930 the estates of over 2,500 acres, though constituting 2.2 per cent of all private farms, contained 83.4 per cent of the area of private farms. Private farms accounted for 93.7 per cent of the lands; the *ejidos* had only 6.3 per cent of the lands. By a law of 1927, and a revision of Article 27 in 1933, the agrarian program was liberalized to permit the dotation of land to every populated place which did not possess sufficient land for the agricultural needs of its inhabitants. The importance of the *ejido* in the economy of Mexico is therefore to be measured in terms of future possibilities rather than past attainments.

The problems of the *ejido* have been numerous. The basic problem has been to furnish communities with land, and water for irrigation. This has been hampered by the opposition of large land-holders, and by the difficulty of financing the purchase of lands for grants. The provision of credit for production and marketing has also been a problem. The government has established a National Bank for Agricultural Credit, but there has never been sufficient credit to meet the needs of the *ejidos*. Some progress has been made in promoting education in the *ejido*, but there is still a great deal to be desired in this direction. The problem of the organization of the *ejido* has turned on the issue of collectivism and individualism. Article 27 stated that villages receiving lands should enjoy them in common until the manner of making the division should be determined. In 1922 the National Agrarian Commission proposed the organization of *ejidos* along coöperative and communal lines. However, the Law of Ejido Patrimony, enacted in 1925 and embodied in the Agrarian Code of 1934, provided that although certain pasture lands might be held in common, crop lands should be apportioned among the members of the community.

Mr. Simpson believes that the future of the *ejido* lies in the complete socialization of the nation's lands and the collective ownership and coöperative exploitation of agricultural lands by agrarian communities. He sees in the *ejido* not only the solution of Mexico's problem of agricultural property and production, but also the key to the problem of industrialism. He points out that some industrialization must occur, and that the greatest benefit will be derived if the process of industrialism is submitted to social control. He analyzes the possibilities and finds that Mexico can develop industrially, and furthermore that with proper control industrialism can be made to benefit the people without destroying the advantages of their native culture.

This book is an excellent analysis, realistic and sympathetic, of the *ejido*. The analysis is supported by numerous tables of statistical data from official sources. The inclusion of a list of agrarian reform laws and a translation of the Agrarian Code of 1934 is of great value to students of the *ejido*. Mr. Simpson has done more than just describe the agrarian program of Mexico; he has shown the relation of that program to the whole economy. It is regrettable only that the analysis does not extend beyond 1933 and cover the recent developments under the administration of President Cardenas.

R. J. González

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Settlement and the Forest and Mining Frontiers. By A. R. M. Lower and Harold A. Innis. (Toronto: Macmillan. 1936. Pp. xiv, 424. $4.50.)

The ninth volume in the series "Canadian Frontiers of Settlement," edited by W. A. Mackintosh and W. L. G. Joerg, consists of two parts, *Settlement*

and the Forest Frontier in Eastern Canada by Professor Lower and *Settlement and the Mining Frontier* by Professor Innis.

Professor Lower's study is primarily concerned with the economic relationships between the pioneer settler and the lumberer in Eastern Canada—between the "two logical occupations of a new and forested country, agriculture and forest industry"—and with state policy toward the inevitable conflict between these two interests in their struggle for land. Professor Lower finds that in the history of Canada the settler has invariably had first place except in those districts where settlement has proved impossible. The result has been that only by a long and wasteful process of experiment has the goal of the classification of land been reached. The study deals with the history of settlement not in detail but only in its broader aspects. It is brought down to date, including an account of the relationship between agriculture and the newer Canadian paper and pulp industries. Professor Lower concludes that since the forest will be hard enough to save in any case, nothing is more certain than that it will disappear from good land. Perhaps the beginning and end of wisdom in this matter lies in the principle of the classification of land.

Professor Innis's study, as the title indicates, is concerned with the relationship between mining, frontier settlement and the Canadian economy. In such a study the story of the development of transportation, especially of the transcontinental railway, plays an important rôle. The author's major interest, in truth, has been "the interrelationship between transcontinental railways and mining." To illustrate this interrelationship sample regions with widely divergent characteristics have been chosen—two regions in the Pacific Coast drainage basin, the Yukon, with production of placer gold and emphasis on labor, and the Kootenay with production of lode ores, shifting from gold to copper, lead, zinc and other metals, with emphasis on capital and in turn on direct control of operations by a transcontinental railway; and Northern Ontario with emphasis on lode mining of precious metals, silver at Cobalt and gold at Porcupine, Kirkland Lake, and copper-gold at Noranda. After tracing developments in these areas and indicating their significance to Canadian economy, Professor Innis concludes that "the relative exhaustion of old mining areas, the sudden emergence of the railways and the discovery of precious metals, the release of matured skill and technology from declining areas to new areas, the immediate adaptation of discoveries in research, the emphasis of the war on mechanization, the production of by-products with mature technique, and the demands of industrialism for a wider range of minerals were factors accentuating the sudden and rapid development of mining in the Canadian economy."

These two studies represent scholarly contributions to the important series of which they constitute a part.

George Ward Stocking

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NEW BOOKS

ALSBERG, C. S. and GRIFFING, E. P. *Ambiente, herencia y calidad del trigo.* Pub. no. 7. (Buenos Aires: Comision Nac. de Granos y Elevadores. 1937. Pp. 31.)

Translation of article in *Wheat Studies* of the Food Research Institute, Stanford University, vol. x, no. 6, March, 1934.

ASCH, B. and MANGUS, A. R. *Farmers on relief and rehabilitation.* WPA res. monog. viii. (Washington: Supt. Docs. 1937. Pp. xx, 226.)

The specific objectives have been to describe the extent of the farm relief problem and the underlying causes of distress; the development of the administrative programs which were formulated to meet the situation; the types and amounts of assistance given farm households; the social characteristics of these households; the relation of farmers on relief to the land with respect to residence and tenure and their relation to the factors of production and experience; and the trend of farm relief through 1935. The authors conclude that rural dependency will continue unless measures are taken for the fundamental reconstruction of agricultural life.

BARTLETT, R. W. and CASKEY, W. F. *Milk transportation problems in the St. Louis milkshed.* Bull. 430. (Urbana: Univ. of Illinois Agric. Exp. Station. 1937. Pp. 423-470.)

BERCAW, L. O., compiler. *Farm tenancy in the United States, 1918-1936: a selected list of references.* Agric. econ. bibliog. no. 70 (supersedes no. 59). (Washington: Bur. of Agric. Econ. 1937. Pp. viii, 302, mimeographed.)

BOWLES, O. *Asbestos.* Bull. 403. (Washington: Supt. Docs. 1937. Pp. iv, 92. 15c.)

COLE, W. E. and CROWE, H. P. *Recent trends in rural planning.* (New York: Prentice-Hall. 1937. Pp. xv, 579. $3.50.)

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FRASER, W. J. *Profitable farming and life management.* (Danville, Ill.: Interstate, 132 N. Walnut. 1937. Pp. 416. $2.75.)

GANDHI, M. P. *The Indian sugar industry: its present problems and future needs.* (Calcutta: Author. 1937. Pp. 30. As. 8.)

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JESNESS, O B., WAITE, W. C. and QUINTUS, P. E. *The twin city milk market.* Bull. 331. (Minneapolis: Univ. of Minnesota Agric. Exp. Station. 1936. Pp. 24.)

KINSMAN, D. O. *Our economic works: a study of the world's natural resources and industries.* (New York: Crowell. 1937. Pp. xi, 584. $3.50.)

MACGIBBON, D. A. *Las companias de granos en Canada.* Pub. no. 12. (Buenos Aires: Comision Nacional de Granos y Elevadores. 1937. Pp. 21.)

Translation of chapter 12 of *The Canadian Grain Trade.*

MERRILL, C. W., HENDERSON, C. W. and KIESSLING, O. E. *Small-scale placer mines as a source of gold, employment, and livelihood in 1935.* Rep. no E-2. (Washington: Works Progress Admin. 1937. Pp. xiii, 52.)

MUKHERJEE, B. B. *Agricultural marketing in India.* (Calcutta: Thacker Spink. 1937. Pp. 259. Rs. 4/8.)

MURRAY, K. A. H. *Milk consumption.* (Oxford: Agric. Econ. Res. Inst. 1937. Pp. 64. 2s. 6d.)

OBERHOLTZER, K. E. *American agricultural problems in the social studies: some important agricultural problems and related generalizations that should be considered in the general curriculum of urban and rural schools.* Contribs to educ. no. 718. (New York: Teachers Coll., Columbia Univ. 1937. Pp. 124. $1.60.)

PEAKE, O. B. *The Colorado range cattle industry.* (Glendale, Calif.: Arthur H. Clark Co. 1937. Pp. 357. $6.)

REGUL, R. and MAHNKE, K. G. *Energiequellen der Welt: Betrachtungen und Statistiken zur Energiewirtschaft.* Pub. no. 44. (Hamburg: German Inst. for Business Research. 1937. Pp. 78. RM.7.80.)

REVENTLOW, H. I. *Die Entwicklung der britischen Agrarschutzes.* (Berlin: Parey. 1937. Pp. 140. RM.13.20.)

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SIMON, C. M. *The share-cropper.* (New York: Dutton. 1937. Pp. 247. $2.50.)

SPRAGUE, G. W., and others. *Economic survey of the live-poultry industry in New York City.* U. S. Dept. of Agric. misc. pub. no. 283. (Washington: Supt. Docs. 1937. Pp. 116. 15c.)

STAUBER, B. R. and REGAN, M. M. *A graphic summary of the value of farm property (based largely on the census of 1930 and 1935).* U. S. Dept. of Agric. misc. pub. no. 263. (Washington: Supt. Docs. 1937. Pp. 20. 5c.)

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WHITE, H. F. *Coöperative marketing of farm products in the United States.* Edited by E. E. WHITE. (Siloam Springs, Ark.: John Brown Univ. Press. 1937. Pp. 176.)

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Catalogo de los patrones oficiales de trigo, avena, cebada, centeno y lino de la cosecha 1936/37. Pub. no. 11. (Buenos Aires: Comision Nacional de Granos y Elevadores. 1937. Pp. 86.)

Minerals yearbook 1937. (Washington: Supt. Docs. 1937. Pp. xii, 1502. $2.25.)

National Fertilizer Association: proceedings of the thirteenth annual convention, held at White Sulphur Springs, West Virginia, June 7-9, 1937. (Washington: Nat. Fertilizer Assoc. 1937. Pp. 114.)

Wheat Studies. Vol. xiv, no. 1. *World wheat survey and outlook, September, 1937,* by HELEN C. FARNSWORTH and HOLBROOK WORKING. (Stanford University, Calif.: Food Research Inst. 1937. Pp. 36. 60c.)

Manufacturing Industries

The Economics of the Iron and Steel Industry. Vols. I and II. By CARROLL R. DAUGHERTY, MELVIN G. DE CHAZEAU and SAMUEL S. STRATTON. (New York: McGraw-Hill, for the Bur. of Bus. Res., Univ. of Pittsburgh. 1937. Pp. xxiii, 578; xx, 579-1188. $12.00.)

In this analysis of the iron and steel industry, Dr. Daugherty, who conducted the labor studies, makes a generous plea for industrial democracy among the workers in an industry which has been "mainly autocratic or paternalistic and frequently harsh and repressive and destructive of those qualities of citizenship that are aspired to in a democracy." Production aspects, costs and earnings were studied by Dr. Stratton, who presents many valuable and interesting data thereon. In this analysis, however, it is unfortunate that he did not search more deeply into the problems at hand. Thus, although repeated statements are made in the two volumes about the importance of overhead costs in the pricing of iron and steel, the chapter on costs fails to present an independent, quantitative study of such costs as they exist in the steel industry; and in the chapter on earnings, the conclusions are based essentially on the false assumption that the assets of the principal producers are not over-inflated, without the slightest regard to merger history, inventory valuations, obsolescence, etc.

Since the present analysis of the iron and steel industry was undertaken for the purpose of making recommendations for government action, that portion of the report dealing with steel prices is of the utmost interest. Unfortunately, however, this part of the study, by Dr. de Chazeau, is full of contradictions and lacks careful research into the fundamental points at issue. The notion running through his analysis of the basing-point system is that "elements are inherent in the methods of production and sale in the industry that render price competition destructive" (547, 1096); it follows in his view, that the basing-point system results not from collusion, but from "the economic structure itself," from "an economic structure inherently monopolistic" (1119, 1120, 1121). What are these *inherent* elements which explain and make necessary price discrimination? Essentially they are said to be overhead costs, together with the small number of producers and a relatively inelastic demand for steel (1101). These elements are declared to make necessary the basing-point system which is mellifluously characterized as "a competition for business on the basis of service over far-flung markets in the producer's effort to provide an economic rate of utilization of capacity" (1146). Though overhead costs and an inelastic demand (and other factors as well) may encourage discrimination, the fundamental question the author does not consider is when *can* an industry discriminate? Economic students are agreed that without some element of monopoly there can be no discrimination. Destroy monopoly and overhead costs will take their place not as a price-determining factor, but as a price-determined factor. Thus, the "inherent elements," of which the author speaks, which in fact are in some degree common to all industries, promote discrimination *after* producers have secured monopoly.

If the basing-point plan is not based upon monopoly secured by collusion (secured by threats or favors) how does the author explain the concentration of control in the N.R.A. Code Authority, the prohibition of new steel mak-

ing capacity, his admission that U. S. Steel has tended to dominate steel pricing (1109), the fact that multiple price bases bear a definite relationship to Pittsburgh (1109), that price changes under the code indicated predetermined agreements (1111), that steel buyers were denied the advantages of water and truck transportation, etc.?

That the author has nervous qualms about his notion that the basing-point plan inevitably results from overhead costs is revealed by his admission that it is not overhead costs *per se* which preclude competition; "it is when economies of large-scale operations are present and their realization necessitates a growing burden of overhead that overhead costs condition pricing policy, for then they effect a reduction in the number of sellers" (557). Next he reasons that when there are few sellers, no one can ignore the repercussions of his own actions on his competitors. Be that as it may, in the steel industry the main reason that an independent producer cannot ignore the effect of his own actions is not the fewness of producers, but the fighting power of the larger ones. When a "billion plus" speaks, independents follow "cheerfully." This fighting power, moreover, is based on the ability to discriminate—deny this power and the chief tool of monopoly will be destroyed. The author's repeated statement that at no time has a mill been precluded from selling at a mill net price if it so desired (578, 1106) was certainly not based on information obtained from the independent producers!

Disregarding overhead costs again, the author argues that the fewness of sellers and high transportation charges give a mill an ability to discriminate which cannot be removed by the requirement of a uniform mill base price, for, he declares, the base price might be set very high and then concessions granted to favored customers (553). Is that not just what is done under the operation of the basing-point rule? But under a mill-base rule only the posted public price would be legal, and buyers and sellers would watch to see that each paid and received that price. Moreover, with a posted price, rivalry among producers, which can then in almost all cases be expected, will reduce undue profit margins and eliminate the possibility of discrimination. As economic experts have testified time and again, the economically sound and practical remedy for the basing-point problem is the requirement, well and impartially enforced, of a posted price.

Upon a complete reading of the author's defense of the basing-point practice, one finds that his arguments and apologies are mere window dressing; for the "fundamental objection" (571) "the vital question at issue" (577), he reveals, is the fact that an abolition of the basing points would "disrupt long-established economic relations." In brief, the Pittsburgh mills have vested rights which must be protected! He argues (546) that when privileges (Pittsburgh Plus) have long been extended and liabilities incurred, they cannot be waived without compensation. Here the

author's constitutional law and economic history fail him. The privileges of Pittsburgh Plus were not willingly extended to the industry by public authority over the years; and as soon as the practice was discovered and understood, it was outlawed by the Federal Trade Commission. Anyone familiar with the history of monopoly knows that it takes time for governmental authorities to discover and comprehend new monopoly devices, with the result that prosecution always lags a generation or more.

Lack of space precludes further analysis of the argument presented in this study in attempted justification of the basing-point system. Impartial readers will observe that it reads like a brief prepared by a steel corporation attorney. In fact, one may predict now that its chief use will be that made by the large steel companies. The final, frank admission that "intelligent policy requires more information and theoretical analysis of the problems involved, at once more detailed and more extensive, than this study provides" (1149) will not entirely neutralize the harm caused by the public presentation of this rather imposing but unmatured analysis and report.

VERNON A. MUND

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NEW BOOKS

BIRGFELD, C. E. *Confectionery production and distribution, 1936.* Dom. commerce ser. no. 97. (Washington: Supt. Docs. 1937. 10c.)

DOLEZEL, K. *Gewerbepolitik und Industrie.* (Brünn: Rohrer. 1937. Pp. 68.)

FONG, H. D. *The growth and decline of rural industrial enterprise in North China.* Bull. no. 8. (Tientsin: Nankai Inst. of Econ. 1936. Pp. 83. 75c.)

————. *Industrial organization in China.* Bull. no. 10. (Tientsin: Nankai Inst. of Econ. 1937. Pp. 88. 75c.)

GANDHI, M. P. *The Indian cotton textile industry: its past, present, and future.* (Calcutta: Author. 1937. Pp. 200. Rs.2.4.)

LEE, A. M. *The daily newspaper in America: the evolution of a social instrument.* (New York: Macmillan. 1937. Pp. xiv, 797. $3.50.)

A journalist who is also a social scientist gives us a "case study" of the industry which produces that widely consumed commodity, the newspaper. The author confesses only to an attempt to gratify his curiosity about the American daily and to "gain some perspective" upon it as a "social instrument." Despite his modest ambition, however, the author has ranged widely in the collection of data; and the result is a comprehensive study of the instruments, the persons, the organizations, and the methods by which "raw materials" of newspapers are assembled and processed, and the finished product distributed to a multitude of consumers.

The opening chapters of the work sketch the historical beginnings from which the modern daily newspaper has evolved. Then follow well arranged chapters, each similarly historical in its approach, on the economic relationships of the industry: the physical basis—newsprint, ink, mechanical inventions; the human basis—labor, hours, wages, unionization, employer organization; the business side—ownership, management, circulation and promotion methods, advertisers, newspaper chains and combinations. These chapters discuss not merely phases of the business, but the social significance also. Many

readers will be interested, for example, in "Newsboy control" (p. 287 ff.); or in "Advertisers and editorial policy" (p. 370 ff.).

This mass of data, painstakingly culled from many sources as the full bibliography indicates, the careful arrangement of the material, the absence of dogmatic expressions of the author's opinions (although the mere recital of facts seems to put the newspaper on the defensive at many points), and the good index, all commend this book to students who would know the newspaper business not so much in its technical and professional aspects as in its economic and social setting. S. J. BRANDENBURG

American Iron and Steel Institute: annual statistical report for 1936. (New York: Am. Iron and Steel Inst. 1937. Pp. vi, 93.)

Brewing and the public interest. Addresses at inaugural luncheon, New York, April 14, 1937. (New York: United Brewers Industrial Found. 1937. Pp. 26.)

Census of industrial production: report on production in certain industries in Saorstát Éireann in each of the years 1932 to 1935. (Dublin: Stationery Office. 1937. Pp. vi, 85. 1s. 6d.)

Transportation and Communication

NEW BOOKS

KIMBALL, F. P. *New York—the canal state: the story of America's great water route from the lakes to the sea, builder of east and west, with a discussion of the St. Lawrence treaty.* (Albany: Argus Press. 1937. Pp. xvi, 105.)

KOENIGS, G. *Aktive Seeschiffahrtpolitik.* (Jena: Fischer. 1937. Pp. 28.)

WILGUS, W. J. *The railway interrelations of the United States and Canada.* (New Haven: Yale Univ. Press for the Carnegie Endowment for Internat. Peace. 1937. Pp. xvi, 304. $3.)

Automobile facts and figures. 1937 ed. (New York: Automobile Manuf. Assoc. 1937. Pp. 96.)

Limiting the length of trains by law: an editor's opinion and the railroads' viewpoint. (Washington: Assoc. of Am. Railroads. 1937. Pp. 15.)

The problem of the thin traffic branch line. Sec. of Transportation Serv., Fed. Coörd. of Transportation. (Washington: Am. Short Line Railroad Assoc. 1937.)

Report on short line railroads. Sec. of Research, Fed. Coörd. of Transportation. (Washington: Am. Short Line Railroad Assoc. 1937. Pp. 128.)

Shipping services of the port of Boston. (Boston: Boston Port Authority. 1937. Pp. 32.)

Telegraph regulations and rates. Report submitted by the International Chamber of Commerce to the International Telegraph Conference of Cairo, February, 1938. Brochure no. 96. (Paris: Internat. Chamber of Commerce. 1937. Pp. 31.)

World highway progress. Report of Highways Committee of the Automobile Manufacturers Association of U.S.A. (New York: Automobile Manuf. Assoc. 1937. Pp. 40.)

Trade, Commerce, and Commercial Crises

International Economic Reconstruction: An Economists' and Businessmen's Survey of the Main Problems of Today. Vol. I. (Paris: Joint Committee, Carnegie Endowment and International Chamber of Commerce. 1936. Pp. 225.)

This study, published late in 1936, constitutes a significant survey of present-day problems in international economic relations, and recommendations concerning their solution. The committee was headed by President Butler of the Carnegie Endowment and President van Vlissingen of the Chamber and was composed of distinguished officials and publicists in various countries; the committee of experts included Professors Gregory (England), Boehler (Switzerland), Ohlin (Sweden), Dr. Pasvolsky (U.S.A.), and Professor Rist (France); and many other economists were consulted. The volume consists of a foreword and introduction, an introductory report on the problem of international reconstruction by Professor Ohlin, which is most comprehensive, a general report on the problems of monetary stabilization and the improvement of commercial relations between nations, by Professor Gregory, and practical conclusions. Other memoranda on particular topics, by various economists in different countries, are printed in a supplementary volume. A review which undertook to summarize the survey would be as long as the report itself; but a few principal characteristics of the study may be mentioned. (1) The report makes no attempt to draw scientific conclusions on the basis of original research, but rather surveys the whole field broadly, and arrives at a sort of consensus of opinion of those who participated in preparing it. On the other hand, some degree of difference of view appears among the expressions of the different experts. (2) As might be expected, the trend of the opinions is, by and large, "conservative"; *e.g.*, freer trade, more stable currency conditions, and, in general, restoration of as much as possible of the "old order" are advised. (3) However, many of the separate reports are written with much realism and full realization of the difficulties of putting well-known theories into practice; balanced statements appear throughout. Examples may be taken from Professor Ohlin's excellently complete examination of the whole field. Pointing to the demerits of barter and clearing agreements, he also says, "But it should be added that not all barter and clearing agreements restrict international trade." Showing the faults of foreign exchange regulation, he adds, "Yet it would be a mistake to believe that such regulation has worked exclusively in the direction of a diminution of foreign trade. In the absence of a regulation of the foreign exchange market, the depreciation of many currencies would have been far more radical and exchange fluctuations probably more erratic. Monetary disorganization of this kind might easily have led to the erection of still higher trade barriers. . . ." Again, "It is by no means a foregone conclusion that the attainment of this goal [an expansion of international trade] depends upon more freedom of trade. On the contrary, it is quite conceivable that a more rational system of regulation than the present might lead to a greater expansion of foreign trade than could be achieved as a result of other policies which it might be possible to apply." And the "practical conclusions" of the committee of experts carefully point out what should (in the opinion of the members)

be done, what might be done, and the various things (which might in some theories be desirable) that can *not* be done. The whole survey will be of interest to all students of international economic (and political) relations, and doubtless, to all economists. JOHN DONALDSON

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NEW BOOKS

PANDIT, Y. S. *India's balance of indebtedness, 1898-1913.* (London: Allen and Unwin. 1937. Pp. 210. 10s. 6d.)

STEWART, M. S. *Colonies, trade, and prosperity.* Public affairs pamph. no. 13. (New York: Public Affairs Committee. 1937. Pp. 31. 10c.)

UPGREN, A. R. *Reciprocal trade agreements.* Day and hour ser. no. 19. (Minneapolis: Univ. of Minnesota Press. 1937. Pp. 26. 25c.)

YOUNG, A. A., editor. *Chinese-American trade annual and directory, 1937.* (New York: Chinese Chamber of Commerce of N.Y. 1937. Pp. 293. $5.)

Commercial relations between Cuba and the United States of America. (Havana: Social Econ. Union of Cuba. Washington: Dr. Oscar Díaz Albertini, Nat. Press Bldg. 1937. Pp. 44.)

Polish-American Chamber of Commerce: 15th anniversary commemorative book. (Warsaw: Polish-American Chamber of Commerce. 1937. Pp. 199.)

Printed in Polish and English. Contains an analysis of the elements in Polish-American commodity exchange and an article on the Polish-American balance of payments.

Presupuesto general del estado: ejercicio 1937. Tomo I. (Montevideo: Contaduria Gen. de la Nación. 1937. Pp. 733.)

Report on international trade. (London: P. E. P. 1937. Pp. 302. 12s. 6d.)

Resolutions adopted by the ninth congress of the International Chamber of Commerce, Berlin, June 28-July 3, 1937. Brochure no. 98. Suppl. to *World Trade,* July, 1937. (Paris: Internat. Chamber of Commerce. 1937. Pp. 33.)

Review of world trade, 1936. (Geneva: League of Nations. New York: Columbia Univ. Press. 1937. Pp. 91. 60c.)

"Special attention has been paid in this edition to recent changes in the distribution of each country's trade by countries of provenance and distribution occasioned by variations in competitive power or by new methods of commercial policy." Detailed tables show (1) price and quantity indices of imports and exports; (2) exchange rates used for conversion of annual trade figures to U.S.A. (old) gold figures; (3) world trade, by countries and continental groups.

The United States among the nations: lectures arranged by the University of California Committee on International Relations. 1st ser. delivered 1936. (Berkeley: Univ. of California Press. $1.50.)

Contains "The United States in World Trade," by Henry F. Grady.

Accounting, Business Methods, Investments and the Exchanges

NRA Economic Planning. By CHARLES FREDERICK ROOS. Cowles Commission for Research in Economics, monog. no. 2. (Bloomington, Ind.: Principia Press. 1937. Pp. xxii, 596. $5.00.)

The aims of this book, stated in the preface, are to outline the rapidly changing decisions of the NRA and the reasons therefor, to provide statistics and economic analysis for judging its policies, and to appraise the contribution of the experience to economic theory and economic planning. The author was chief of the Research Section of the Research and Planning Division from July, 1933, to September, 1934, and his book is a guide to the viewpoint of the Division in 1933 and the Section only in 1934. Its contribution to the literature of the subject is in the use of staff memoranda and reports and in the free and frank criticism of policies by one of the ablest minds connected with the NRA. Adequate care was not given to the presentation, and some statements are over-bold for the supporting evidence; but the reader will find much to reward his pains.

The first chapter is on pre-NRA background. Here as later the author enjoys roving afield and occasionally trips up, as on the meaning of the British trade-union laws of 1824-1825, the importance of the merger movement after 1907, and some of the facts about the Knights of Labor. The next three chapters cover the drafting and passage of the law, its administration, and the evolution of the NRA policy.

Chapters 5 to 8 deal with wages, hours and collective bargaining. Dr. Roos finds from the statistics for twenty-four industries that in all but three cases reduction of hours discouraged production and diminished employment (pp. 125-130, 448). He thinks that with good luck a more moderate reduction in hours, applied to consumers' goods only, might have induced purchase of machinery and thus absorbed unemployment where it was greatest—in durable goods (pp. 152-153). The NRA, however, definitely postponed recovery by raising building costs. Dr. Roos argues strongly against wage fixing and the elimination of geographic differentials. His chapter on collective bargaining is highly critical of its manifestations under the NRA and the Labor Boards.

Chapters 9 to 12 analyze the concessions made to industry. Open price filing is called the most important reform undertaken by NRA. Policing of unfair competitive practices is approved. In a few cases burdensome surpluses were successfully removed from the market. The author finds little value, however, in the experiments in central control of prices and production.

The last three chapters discuss the effect of NRA on the small business man, the purchasing power theory as applied in higher wages, the AAA and public works, and the general success of NRA. The conclusions, briefly, are that the small business man was injured, purchasing power decreased, and the case for economic planning weakened. The author supports General Johnson's contention that the separation of public works administration from NRA, after passage of the act creating both, was a serious blow to recovery. One doubts, however, that an already overburdened NRA admin-

istrator would have had the patience to handle public works money in the exact manner desired by his economists (pp. 58, 426-427). In fact, economists were considered at this time "kibitzers" and "dodos" (appellations for which Dr. Roos believes they often gave justification).

The kibitzers of 1933 had at least the negative merit of doubting that central control of wages, hours, prices and production would succeed. If the experiment is tried again, Dr. Roos's slashing criticisms will be there to reënforce their doubts.

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Planned Society: Yesterday, Today, Tomorrow. A Symposium by Thirty-five Economists, Sociologists, and Statesmen. Edited by FINDLAY MACKENZIE. (New York: Prentice-Hall. 1937. Pp. xxvii, 989. $3.75.)

This is a selected series of readings on "planning," some of them contributions to this particular book, many of them drawn from previously published articles, essays and reports. As the title indicates, the book is divided into historical studies; analyses of contemporary experiments in social and economic control; and articles on the possibilities of the planned society.

In the historical sections Margaret Mead, Sterling Tracy and Bernard Dempsey deal with economic controls embodied in primitive, ancient and medieval societies, followed by E. A. J. Johnson, Wesley C. Mitchell and C. J. Ratzlaff, who discuss state control over economic life between the sixteenth and twentieth centuries. This latter part also includes some interesting analyses of the functions of social and economic thought as related to economic control.

The next section on "Control and planning in particular areas of economic activity" provides a considerable variety of articles and viewpoints on planning as related to land, industry, public services, prices, money, credit and consumption.

The final section deals with "Control and planning of all economic activity" covering an even wider range than the preceding divisions. A single subdivision on techniques of economic control, for example, includes the markedly divergent writings of Cassel, Mussolini and Stalin.

On the whole the studies dealing with contemporary forms of planning and control are pessimistic, or at best sceptical; whereas those dealing with the future possibilities of the planned society are optimistic in tone.

The outline above should not be interpreted to mean that the studies presented in the book have been pieced together into a mosaic of definite design. Rather it is an assortment from which one may, by a process of selection, amplify and sharpen in detail his own pattern of thought regarding that vaguely defined concept "economic planning." In spite of the able

presentation of many aspects of the subject, one is impressed with the great gaps that remain in this field of thought and with the fact that even the ablest of students are poles apart in their findings. That curse of the social sciences (lack of agreement as to definitions of terms) is, in this case, an impediment to a logical comparison of viewpoints to an even greater degree than usual.

The uncritical will be inclined to find fault with the book because of its lack of unity and consistency, because it leads to no particular conclusion. But these qualities, desirable in a single study, are not to be expected or desired in a collection of readings, particularly on "planning." It would, in fact, have been a disservice to the students of this field of study to have chosen a series of readings consistent to a given viewpoint or to have implied that such unity of thought exists today.

The editor has obviously made a conscientious attempt to avoid bias in his selections. The book should meet a definite need in a field in which materials are all too meager.

James H. Shoemaker

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The Problem of International Investment. Report by a Study Group of Members of the Royal Institute of International Affairs. (New York: Oxford Univ. Press. 1937. Pp. x, 371. $7.50.)

The reader will find in Part I of this unusually well-written contribution to the literature of international economics an exposition of the conditions under which long-term capital may be expected to move between countries, an analysis of problems confronting such movements today, and an appraisal of the future for various types of international long-term investing. In Part II he will find a brief summary of pre-war foreign investing, and detailed chapters on the post-war history of international investments, for Great Britain, the United States, France, and the principal debtor countries.

Included also is a history and analysis of the rôle of the state in regulating the flow of foreign investments, and a chapter on the default and other experiences of such investments during the depression. Many readers will find informative a section devoted to the activities of the Export Credits Guarantee Department of the Board of Trade in Great Britain, in fostering the extension of medium-term credit. There is a brief appendix treatment of the sources and extent of accuracy of estimates relative to the British balance of international payments.

The thesis of the authors that changes in world economy and in world thinking presage an altered future for international investment—both as to volume and as to the relative importance of its various types—is stimulating. The authors emphasize the urge to develop new primary food-producing areas as an outstanding factor in promoting nineteenth-century international

investments; its influence they find to be of lessening importance, not only because of increased supply of agricultural products resulting from enhanced production efficiency but because of a retarded growth of demand accompanying a slowing-up in the rate of population growth. Economic nationalism and its accompanying phenomena of course receive prominent mention as factors tending to restrain or at least to guide along certain channels the future flow of international investment. The authors regard an unfavorable attitude of American investors toward purchase of foreign securities as likely to be a restraining influence for some time to come.

Translating these and other factors into their effects upon channels of international investment, the report concludes that flotation of new issues may well be expected to take a place of less importance in future than formerly in the total volume of international investing, but that exports of capital by corporate investors for establishment of factories, etc., have good potentialities for further growth. The authors look for further gains in the purchase of foreign securities by investment trusts and insurance companies, and, as partial substitutes for public flotations, an expansion in medium-term credits possibly with government guarantees. Worthy of note, but not summarized in the brief scope of this review, are the analyses contained in the report as to the possible effects of each of these looked-for developments upon international equilibria.

A substantial degree of objectivity characterizes the work throughout, although some students may feel that the nearness of depression difficulties makes attainment of such objectivity still a well-nigh impossible achievement. A well-rounded distribution of emphasis among the various countries concerned is likewise to be noted in the report.

Resort to estimates is of course inevitable in a work dealing with foreign investments. The authors call attention to the tentative nature of many of their figures, but, for the guidance of the non-professional reader, even stronger emphasis of that fact might have been worth while, at points.

One instance was noted where omission to draw attention to substantial differences in estimates introduces an element of confusion. Early in the work (p. 65) an estimate is quoted for the foreign investment holdings generally of the United States just prior to the World War. Later (p. 128, 166) the authors quote from another source, for virtually the same date, an estimate that is 75 per cent higher than the first figure, and have labeled the higher figure "long-term" investment holdings. Accompanying neither estimate is a reference to the other, or mention of the possibility or impossibility of reconciling the two. Incidentally, both estimates stem from earlier sources than those cited in the footnotes to the volume under review.

The work obviously represents much careful thought, and should prove

a convenient and useful reference for those interested in finance and investment, or in foreign affairs generally.

CORLISS L. PARRY

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Economic Planning and International Order. By LIONEL ROBBINS. (London: Macmillan. 1937. Pp. xv, 330. $2.50.)

The chapters of this book are a revision of lectures delivered at the Institut des Hautes Études International at Geneva two years ago. Professor Robbins states that it is an essay on political economy which implies different types of principle rather than a program for immediate action. The eleven chapters of this essay are arranged under three major topics: independent national planning, partial international planning and complete international planning.

Each of the three topics is examined, and the implications of each are evaluated. Independent national planning is found to multiply restrictions, tariffs, quotas, to bring about the control of capital movement and to manipulate foreign exchanges. The result is a dislocation of channels of trade and our present world troubles. Partial international planning, involving as it does, trade agreements, regional groupings, plans for particular lines of industry and the regulation of wages and hours of labor is but a snare and a delusion. It is infected with sectionalism and brings about an uneconomical use of world resources.

Complete international planning of the entire field of production, distribution and exchange is a possible solution for the present world chaos. Even here, however, not all plans are equally acceptable. International communism will not do, as it ultimately must have a central planning body which through mass propaganda and secret coercions makes an elusive mirage of individual freedom and happiness. It is based on a false view that society exists for itself, and its welfare must be maintained even at the expense of the welfare of its individuals.

International liberalism however recognizes the significance of the millions of consumers in the world populations. It takes into account the various abilities of these individuals and the resources available for their use. It asks neither for alliance nor for complete unification but for a federation of nations. It creates an international authority which removes the right of the individual nations to make war and to restrict international movements. It gives a maximum scope of international freedom while it secures to the nations their rights of independent government. In the words of the author, "The root of our present difficulties is not some inherent tendency to economic catastrophe but a political structure which has outlived its utility. Not capitalism which when rightly conditioned is a safeguard of

liberty and progress, but nationalism which tends to poverty and conflict, is the cause of our present distresses."

Professor Robbins has in this essay presented a plan which is as a shadow of a great rock in a world weary with war, national sectionalism and restrictions. He suggests the most equitable way of securing peace and happiness for the individuals which make up the world populations. He has made it clear that nations have never given the plan of international liberalism a fair trial. Nations today cling tenaciously to the restrictions of uneconomical mercantilism even though Adam Smith exposed their wickedness over a century and a half ago.

Thoughtful students of international economic relations the world over will rejoice that Professor Robbins has the courage to be a voice crying for international liberalism in a wilderness of world strife and national self-interest.

CURTIS HUGH MORROW

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NEW BOOKS

ALDRICH, W. W. *The stock market from the viewpoint of a commercial banker.* Address at a luncheon meeting of the Rochester Chamber of Commerce, Oct. 14, 1937. (New York: Chase Nat. Bank. 1937. Pp. 32.)

BACAS, P. E., MADDEN, J. T. and ROSENKAMPFF, A. H. *Auditing procedure.* (New York: Ronald. 1937. Pp. xvi, 443. $3.75.)

BROWN, L. O. *Market research and analysis.* (New York: Ronald. 1937. Pp. xiv, 487. $4.)

CUSHMAN, R. E. *The problem of the independent regulatory commissions.* Stud. on admin. manag. in the govt. of the U. S., no. iii. (Washington: Supt. Docs. 1937. Pp. iv, 37. 15c.)

DOHR, J. L. *The law of business.* (New York: Ronald. 1937. Pp. xviii, 659. $4.)

DOUGALL, H. E. and DAUER, E. A. *One hundred short problems in corporation finance.* (New York: Ronald. 1937. Pp. 78. 75c.)

"These problems are designed as supplementary exercises in courses in corporation finance. They are not of the 'case' type. Their purpose is to serve as illustrations of financial principles . . ." (introduction). The ten general headings under which the problems have been grouped are well chosen to facilitate coördination with many of the widely-used introductory textbooks in this field. The subject matter of each problem, moreover, is clearly indicated by an individual heading.

The effort to achieve realism, without objectionable complication of either the form or content of the problems, seems to the writer to have been unusually successful in more than a few instances. In some of the problems the authors provide the relevant factual data, as drawn from actual and sufficiently up-to-date cases. In others the student is asked to consult Moody's or Poor's *Manuals,* or generally available media of current financial information. For each of the hundred problems the instructor's key cites page or chapter references to anywhere from three to eleven of the better-known textbooks on corporation finance and cognate subjects.

The instructor may find it convenient to make use of the page and chapter

MCNAIR, M. P. *Expenses and profits of limited price variety chains in 1936.*

references, but it seems doubtful that the key will prove very useful otherwise. The mathematical calculations, required by some of the problems, are not so difficult or extended as to call for the use of a key. In some instances, very properly, the authors leave the question of correct solution entirely to the instructor. Generally, where the authors do undertake to "give the answer," the instructor will regard it as acceptable only provided that it conforms with the one he himself is already prepared to advance.

With respect to the key, however, the writer's attitude may have been unduly influenced by his reaction to such statements to be found therein as these: on page 11 it is stated that the amount required to purchase a majority of a holding company's common stock is the smallest (instead of largest) investment necessary to control the group. On page 14 of the key: "the common stock, representing the residual share of the assets, would have to be satisfied out of the intangibles in case of liquidation or sale." And on page 44 of the key: "charging depreciation protects working capital by *retaining earnings* (the italics are the writer's) in the business."

FORREST E. KELLER

GARDEN, D. J. *Flexible budgeting and control.* (London: Macdonald and Evans. 1937. Pp. xii, 244. 7s. 6d.)

HART, J. and WITTE, E. E. *The exercise of rule-making power and the preparation of proposed legislative measures by administrative departments.* Stud. on admin. manag. in the govt. of the U.S., no. v. (Washington: Supt. Docs. 1937. Pp. iv, 66. 20c.)

HARWOOD, E C. and BLAIR, R. L. *Investment trusts and funds from the investor's point of view.* (Cambridge: Am. Inst. for Econ. Research. 1937. Pp. 102. $1.)

HOLLERAN, O. C. *Basic industrial markets in the United States: pulp and paper industry.* Market res. ser. no. 14.4. (Washington: U. S. Bur. of Foreign and Domestic Commerce. 1937. Pp. 77. 10c.)

HOVDE, H. T. *Payroll policies in Philadelphia: a study of the time of payment according to volume by days of the month, and by check and cash.* 2nd printing. (Philadelphia: Univ. of Pennsylvania. 1937. Pp. 18. $1.)

JEREMIAH, D. B. *The causes and prevention of corporate bond default.* A thesis. (Philadelphia: Univ. of Pennsylvania. 1936. Pp. 155.)

This will be of value to teachers of corporation finance. It analyzes the causes for failure, in 86 cases in the decade 1919-28, which were named by receivers, experts, protective committees, or special investigating groups. Many causes usually cited can be called "ineffective management"; about 25 other separable causes are recognized as valid. Possibility of control over them is discussed at length.

S. L.

KURTZ, E. B. *The science of valuation and depreciation.* (New York: Ronald. 1937. Pp. xiv, 221. $4.50.)

LAWRENCE, W. B. *Cost accounting.* Rev. ed. (New York: Prentice-Hall. 1937. Pp. xvii, 598. $5.)

MACMAHON, A. W., FESLER, J. W. and EMMERICH, H. *Problems of administrative management: departmental management; executive management and the federal field service; government corporations and independent supervisory agencies.* Stud. on admin. manag. in the govt. of the U.S., no. iv. (Washington: Supt. Docs. 1937. Pp. iv, 57. 15c.)

McNair, M. P. *Expenses and profits of limited price variety chains in 1936.* Bull. no. 105. (Boston: Harvard Univ. Bur. of Bus. Res. 1937. Pp. vi, 38. $1.)

————. *Radio advertising in Australia.* (Sydney: Angus and Robertson. 1937. Pp. xvi, 461. 35s.)

Mason, P. *Principles of public-utility depreciation.* (Chicago: Am. Accounting Assoc. 1937. Pp. xi, 128. $1.)

Morton, N. W. *Individual diagnosis: a manual for the employment office.* McGill soc. res. ser. no. 6. (New York: Oxford Univ. Press. 1937. Pp. xvii, 123. $1.75.)

Although intended specifically for use by public employment offices, this manual will be serviceable also to anyone concerned with the selection of personnel or with the broader problems of vocational guidance. The manual describes and analyzes five groups of tests viewed as aids to the vocational interview: tests of intelligence, of special aptitudes, and of achievement, tests for the appraisal of personality and for the analysis of interests. It informs the reader where tests may be obtained and how much they cost; it instructs regarding their statistical reliability and validity. Those who are not specialists in the field will be interested in the many cautions with which the author surrounds the use of tests. "It is worthy of repetition," he concludes, "that data from tests and questionnaires are constantly to be regarded as accessory information, subject to reconciliation with other known facts about the individual."

Lincoln Fairley

Nixon, H. K. *Principles of advertising.* (New York: McGraw-Hill. 1937. Pp. 556. $4.)

Owens, D. F. *Controlling your personal finances.* (New York: McGraw-Hill. 1937. Pp. 342. $2.75.)

Peloubet, M. E. *Audit working papers: their function, preparation and content.* (New York: Am. Inst. Pub. Co. 1937. Pp. 424. $4.)

Phelps, C. W. *How to understand age analysis of charge accounts.* (Chicago: Household Finance Corp. 1937. Pp. 50.)

Phelps, D. M. *Marketing research: its function, scope, and method.* Bus. stud. vol. viii, no. 2. (Ann Arbor: Univ. of Michigan Bur. of Bus. Res. 1937. Pp. iv, 149. $1.)

Plein, L. N., Berquist, F. E. and Tryon, F. G. *Mechanization trends in metal and nonmetal mining as indicated by sales of underground loading equipment.* Rep. no. E-3. (Philadelphia: Works Progress Admin. 1937. Pp. ix, 19.)

Prickett, A. L. and Mikesell, R. M. *Principles of accounting.* Rev. ed. (New York: Macmillan. 1937. Pp. xiii, 519. $3.50.)

This book originally appeared in 1930 under the title of *Introduction to Accounting.* The revision includes new material on vouchers and the voucher register, consignment accounting, bonds, manufacturing accounts and departmental accounts. Considerable illustrative material has also been added, increasing the book some 150 pages in length in spite of a larger page size. The work remains an elementary text designed for a one-year required course, and emphasizing bookkeeping technique rather than theory. It includes much descriptive material of a general business as opposed to accounting nature.

W. P. Fiske

undertaking the studies, and an index of authors, add to the value of the

REEVES, F. W. and DAVID, P. T. *Personnel administration in the federal service.* Stud. on admin. manag. in the govt. of the U.S., no. 1. (Washington: Supt. Docs. 1937. Pp. iv, 75. 20c.)

REIS, B. J. *False security: the betrayal of the American investor.* (New York: Equinox Coöp. Press. 1937. Pp. xv, 362.)

RIEFLER, W. W., and others. *A program of financial research.* Vols. I and II. (New York: Nat. Bur. of Econ. Res. 1937. Pp. x, 86; viii, 256. $1; $1.50.)

This is a report by the Exploratory Committee on Financial Research of the National Bureau of Economic Research. The Exploratory Committee had been set up at the request of the Committee on Nationwide Banking Research of the Association of Reserve City Bankers, to prepare an inventory of current research in finance, and to formulate recommendations for such further research activities in that field as it regarded desirable. The Committee's report is presented in three parts: parts 1 and 2 (volume I) comprise its findings and program for the future, and part 3 (volume II) is the inventory. The field work for preparation of the report was carried on under the direction of Dr. R. A. Young, the Committee secretary.

Wide recognition of a need for more comprehensive and fundamental research into financial problems is reported by the Committee. In this connection, it stresses the desirability of having "a continuing organization to foster and coördinate financial research and to maintain it in a relevant relationship to changing situations." Recommendations include (1) the inauguration of four major research studies regarded as immediately desirable, and (2) establishment of a small central staff, attached to the National Bureau of Economic Research, to stimulate and guide these and other researches in finance.

The projects recommended by the Committee include a comprehensive survey of the financial structure, and a review of credit standards of financial institutions in the field of: (a) consumer credit; (b) real estate credit; (c) investment credit. Besides these and other recommended subjects for research, the Committee lists a substantial number of topics that it regards as illustrative of the possibilities for further analysis in finance and banking. The report proposes that major responsibility for carrying on the projects shall rest with public and private research agencies already active; functions of the proposed central staff would include formulation of projects, coördination of activities, and analysis of findings. Newspaper reports in the autumn of 1937, originating with the Association of Reserve City Bankers, indicate that steps have been taken to put the Committee's recommendations into action.

The Inventory of Current Research on Financial Problems (volume II) contains the basic outlines of some 225 research projects now being carried on in the United States by governmental agencies, university and other research bureaus, private organizations and individuals. The preface acknowledges assistance of members of the Central Statistical Board in preparation of the inventory. With occasional exceptions, it excludes published materials; where known, contemplated dates of completion and publication of studies are noted. The Committee states that it has not been able to include some studies now in progress, because of reasons of privacy, proprietary interest, etc.

The studies outlined in the inventory run the entire gamut of public and private finance and investment, and are of widely varying degrees of significance, scope and general interest. The large task of classifying them has been exceptionally well done; lists of titles, subdivided according to the agency

undertaking the studies, and an index of authors, add to the value of the inventory. An alphabetical list of individual project-titles might likewise have been useful.

CORLISS L. PARRY

RUGGLES, C. O. *Aspects of the organization, functions, and financing of state public utility commissions.* Stud. no. 18. (Boston: Harvard Univ. Bur. of Bus. Res. 1937. Pp. vi, 90. $1.)

SCHMALZ, C. N. *Operating results of department and specialty stores in 1936.* Bul. no. 104. (Boston: Harvard Univ. Bur. of Bus. Res. 1937. Pp. vi, 38. $2.50.)

SMITH, H. *Retail distribution: a critical analysis.* (New York: Oxford Univ. Press. 1937. Pp. vi, 178. $3.)

WARRINGTON, W. E. *The nature and extent of losses to bondholders in corporate reorganization and liquidation, 1919-1928.* A dissertation. (Philadelphia: Univ. of Pennsylvania. 1936. Pp. 235.)

This study deals with 437 partial or total defaults in the same decade, and analyzes them in detail by industrial classifications. These conclusions stand out: many technical defaults are ultimately remedied with slight real loss to bondholders; depositing bondholders fared much better than non-depositors (an interesting comment on the economic justice of 77 B reorganizations at the present time) ; and there was very little correlation between interest rate on classes of bonds and the subsequent ratio of default.

S. L.

WELLS, R. G. and PERKINS, J. S. *New England community statistical abstracts: industrial development date for 110 New England cities and towns.* Prepared for the Coöperating Committee on Industrial Development of the New England Council. (Boston: Boston Univ. Bur. of Bus. Res. 1937. Pp. 120. $2.50.)

For each city or town the data relate to convenient markets, resources of raw material, assessed valuation, tax rate, net debt, number of home-owners, freight-shipping zones, lines of manufacturing, wage-earners, wages, and banking facilities.

Bibliography of reports by state and regional planning organizations. No. 2. *Reports received in the library of the National Resources Committee, May-June, 1937.* (Washington: Nat. Resources Committee. 1937. Pp. 24.)

Boston Conference on Distribution, 1937: a national forum for problems of distribution. (Boston: Boston Chamber of Commerce. 1937. Pp. 92.)

Contains 25 brief papers, among which are "Trend in taxes on distribution," by A. G. Buehler; "Effects of labor regulation on the cost of distribution and prices of goods," by P. H. Nystrom; "Trend of commodity prices," by M. T. Copeland; "International capital market and trade," by Marcus Nadler; "International trade pacts," by Cordell Hull.

Industrial relations; public relations; economic research; market research: evaluated by 442 industrial leaders. (New York: Market Res. Corp. of America. 1937. Pp. 30.)

Manual on research and reports: a guidebook of procedures helpful in conducting investigations and presenting reports on subjects in the fields of the social sciences. By the Committee on Research of the Amos Tuck School of Admin.

for withdrawal to applications for permission to use boycotts. One would like

and Finance, Dartmouth Coll. (New York: McGraw-Hill. 1927. Pp. x, 140. $1.25.)

Of service to students who are making investigations and engaged in research. Covers the gathering of data, analysis and interpretation, and final publication.

Problem of international investment. By a study group of the Royal Inst. of Internat. Affairs. (New York: Oxford Press. 1937. Pp. 381. $7.50.)

Training for industry. Stud. no. 237. (New York: Nat. Industrial Conf. Board. 1937. Pp. viii, 29.)

Trial census of distribution in six towns. (London: Internat. Chamber of Commerce, British Nat. Committee. 1937. Pp. 71. 2s.)

Capital and Capitalistic Organization

NEW BOOKS

FONG, H. D. *Industrial capital in China.* Bull. no. 9. (Tientsin: Nankai Inst. of Econ. 1936. Pp. 68. 75c.)

GRANT, A. T. K. *A study of the capital market in post-war Britain.* (London: Macmillan. 1937. Pp. xx, 320. 12s.)

KLINGER, H. *Die Rechtsprechung des Kartellgerichts.* Heft III. (Berlin: Heymann. 1937. Pp. 99. RM. 6.)

This is the third of a series of studies concerned with the policies of the German Cartel Court and covers the period 1934 to March, 1937. The author, Dr. Klinger, is at present a member of the Court and also the editor of the *Kartell-Rundschau* since the death of Dr. Tschierschky last spring. The Court, as is well known, was created under the law of 1923 and is empowered to regulate the cartels chiefly by permitting withdrawals by members for a reason of weight before their terms have expired and by prohibiting boycotts and penalties of a like nature which endanger the national economy and unfairly restrict the economic freedom of action of the boycotted party.

The author has arranged the policies into various groups and summarized the position of the Court for each, illustrating it with excerpts from pertinent decisions. The economist will be interested to see how particular circumstances such as general depression, unsuccessful cartel policies, lack of cartel discipline among the members, disputes among members and others, may justify withdrawal. In general, it can be said that the Court still maintains its policy of supporting the cartel by protecting it from withdrawals except in cases where continued membership would be certain to cause the bankruptcy of the member firm. This is probably a development quite contrary to the expectations of those who called for regulation and supported the law in 1923.

The policies dealing with boycotts and practices having the same effect will probably interest Americans most because of the great power in the hands of private business. Such measures are usually allowed by the Court if their effect is to force the outsiders into the cartel rather than to ruin them. That is, cartel membership may not be denied to those willing to join. Even boycotts directed against "persons lacking the necessary reliability" for a particular industry are permitted if they lack capital, store space, skill or training.

Complete statistics on the cases disposed of by the Court would have made the study more complete. The emphasis seems to be shifting from applications

for withdrawal to applications for permission to use boycotts. One would like to know also whether in the matter of withdrawals the Court still considers it a question of mere internal conflict rather than a means of weakening cartels guilty of anti-social acts. In this connection it should be noted that the power of the Economics Ministry to protect the public interest, directly and indirectly, has greatly increased, especially since the coming of the totalitarian state.

W. C. KESSLER

LARCOM, R. C. *The Delaware Corporation.* (Baltimore: Johns Hopkins Press. 1937. Pp. vii, 199. $2.25.)

ZWICKY, J. F. *Public utilities.* (Jena: Fischer. 1937. Pp. xiv, 260. RM.12.50.)

Federal Power Commission: domestic and residential rates in effect January 1, 1936; trends in residential rates from 1924 to 1936, cities of 50,000 population and over. (Washington: Supt. Docs. 1937. Pp. 40. 15c.)

Labor and Labor Organizations

Problems in Labor Relations: A Case Book Representing Some Major Issues in the Relations of Labor, Capital, and Government. By HERMAN FELDMAN. (New York: Macmillan. 1937. Pp. xxxix, 353. $2.75; textbook ed., $2.00.)

This excellent volume is neither a formal textbook, nor a compilation of selected readings. It is a collection of cases in industrial relations, and as such makes a much-needed contribution to the material available for use in instruction by teachers of courses in labor problems. Likewise, instructors in the fields of industrial and personnel management will find the volume valuable.

The author is an advocate of the case system of attack; he presents in the introductory pages an interesting discussion of this topic. However, this book may be easily made useful to supplement any of the several competent labor textbooks now available. The instructor who adopts the lecture technique will also discover that Professor Feldman's book will work into the lecture method effectively.

The volume consists of a series of stated problems grouped under five main headings: wages; hours and working conditions; old age, unemployment and insecurity; personal environment; group relations, unionism, and labor law. The problems are concerned with social and economic rather than with legal considerations. Under these general headings some seventy cases are presented, drawn from the practical experience of employers, unions, and governmental agencies. The selection of these cases is skillful. The problems are simply and crisply stated; the salient factors involved are not lost in a mass of detail. Each main section winds up with questions and exercises designed to force the student to weigh the various problems in terms of their central issues.

The author has largely succeeded, through the medium of his problems,

in revealing many, if not most, of the highly controversial industrial relations issues which currently perplex us. It might be remarked that his cases are thoroughly up-to-date. The student asked to use this volume will not be able to avoid the feeling that he is facing those matters which are of vital moment in the actual, practical field of affairs about him. In this respect, the work fills a deficiency which is somehow lacking in the best of formal textbooks.

To be sure, objection may be made that these problems raise far more issues than they solve; and that the author supplies no answers to the questions he provokes. However, the volume is obviously intended to cause student and teacher alike to size up the problems *independently* and to arrive at what seem to them to be the wise solutions in terms of their own study and critical judgment. So vast are these issues, and so complex is their nature that easy and ready-made answers are neither wise nor sound. And to many of these problems no one may claim knowledge of certain answers. Professor Feldman states "that there is no answer book or guide connected with this volume." He states that "to do this would in a sense go counter to the very experience and purpose of a problem book in this particular field." This is a refreshing viewpoint. It is also modest.

HERBERT MAYNARD DIAMOND

Lehigh University

British Methods of Industrial Peace: A Study of Democracy in Relation to Labor Disputes. By DUCKSOO CHANG. (New York: Columbia Univ. Press. 1936. Pp. 332. $4.25.)

When a young Korean, studying in an American university, is able to find his way about with apparent ease and confidence in the rugged field of British industrial relations, and to express himself in almost impeccable English, we may conclude that scholarship is again as cosmopolitan as it was in the days of St. Thomas Aquinas and Duns Scotus. And indeed there is much in these days of strikes and rumors of strikes that all nations can learn from Britain's longer and more varied experience in dealing with labor disputes.

Dr. Chang traces once more the slow and hesitating removal of the shackles upon the trade unions and the acceptance, especially with the Conciliation act of 1896, of collective bargaining, assisted at times by impartial third parties, as the first line of defense against interruptions and disorder in the industrial world. Voluntary methods, except for the brief and none too successful revival of compulsory arbitration in the munitions industries during the war, have come to be relied upon and have largely developed by their use the desired sense of responsibility and spirit of cooperation. The very slight resort, especially since 1925, to the facilities, such as the Industrial Court, which the government has felt bound to pro-

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vide, has after all been chiefly due to the success in the more highly organized industries of the various stages in private negotiation. The author gives an adequate description of these methods and of their successful working in five leading industries.

The fact is, as Dr. Chang makes clear, that, aside from differences which may arise in the interpretation of exisiting agreements, most of the matters of dispute between employers and employees are not strictly of a judiciable character. They concern the higgling and bargaining of the market place rather than clear-cut issues of right and wrong. This is apparent from the failure of the Courts of Inquiry and of the Industrial Court itself to work out any code of principles which can be firmly and consistently applied for the determination of wages. They have wobbled back and forth among several considerations such as the standard of living, changes in the cost of living, the ability of the industry to pay, and a fair wage for the services rendered; but, whatever the reasons advanced, their opinions and awards have been chiefly swayed by the relative bargaining power of the contestants and the probabilities that their findings will be accepted. In the absence of compulsory enforcement and even where it exists on the statute book, compromise and mutual concessions must be the order of the day. This means that the conditions for successful arbitration or mediation are so nearly the same as those for successful collective bargaining that we might as well rely mostly on the latter in the first place.

Yet the author recognizes some limits as to what is to be expected from collective bargaining between unions and employers. One reason for such small use of the joint industrial council plan recommended by the Whitley Committee in reconstruction days has undoubtedly been, as in the case of arbitration, that those trades which were already strongly organized felt no need of it. But Dr. Chang thinks that the prevalence of a socialist philosophy and distrust of the profit system in the British movement was also responsible. Workers who look toward nationalization of their industries as the goal do not think it is possible to coöperate on all fours with employers. They are not ready to disarm and their acceptance of the restraints put upon labor even during the war was conditional upon a similar limitation upon the profits of munitions companies. Nationalization, however, will not wholly abolish the employer-employee relationship; and it is, perhaps, on this ground that the author still recommends works councils as "a moving equilibrium of social justice for the future."

One possible fault in Dr. Chang's presentation of his material is his addiction, after the manner of some debaters, to summaries. They occur at the end of each section and again at the end of the study. This may show an unwarranted distrust of the tenacity and capacity of the reader. We wish also that it could be fixed once and for all in the minds of writers on the

labor problem that the British somehow prefer to retain the final *s* in the first word of "Trades Union Congress."

WARREN B. CATLIN

Bowdoin College

NEW BOOKS

ADDISON, LORD. *Labour's policy for our countryside.* (London: The Labour Party. 1937. Pp. 12. 1d.)

ATTLEE, C. R. *Labour's aims.* (London: The Labour Party. 1937. Pp. 12. 1d.)

BAKER, H. *Employee savings programs: an analysis of recent trends.* (Princeton: Princeton Univ. Industrial Relations Section. 1937. Pp. 44. $1.)

BOONE, G. *Household employment, Lynchburg study, 1936-1937.* (Lynchburg, Va.: Y.W.C.A. 1937. 10c.)

DAVIES, E. *How much compensation?* (London: Gollancz. Pp. 59. 1s.)

FILLEY, J. and MITCHELL, T. *Consider the laundry workers.* (New York: League of Women Shoppers. 1937. Pp. 64. 10c.)

HARDY, M. *The influence of organized labor on the foreign policy of the United States.* (Liège: Vaillant-Carmanne. 1936. Pp. viii, 270.)

The problem which the author of this study seeks to answer is: to what extent has organized labor in the United States, especially as exemplified by the American Federation of Labor, influenced the foreign policy of the country? The influence of the Federation in various domestic directions has been noted frequently by students of labor ever since the birth of that organization; almost no attention, however, has been given to that organization in its relation to American foreign policy.

Miss Hardy, in the preface to her study, points out that it is "a matter of importance to understand how foreign policies originate, what interests they represent, and what will be the probable future influence of such groups on the formation of policy." There are pressure groups which must be studied to understand the course of American foreign policy, but the Federation is not one of them. Indeed, when one examines Miss Hardy's conclusions—nearly all of which point to the ineffectiveness of the Federation as an influence on American foreign policy—it becomes evident why the relation of the union to international affairs has been given but indifferent attention by economists here and abroad. To put it simply, you cannot study a relationship that either does not exist at all or exists only by the grace of formal resolutions and other ineffective gestures by the Federation.

Elsewhere, notably in England, the labor movement has been a potent pressure group on foreign policy questions. The author suggests various reasons for the weakness of the Federation in the United States. Of primary importance is the fact that the structure of that organizaion (implying, as it does, a limited membership interested in a narrow range of problems) does not lend itself to the prosecution of matters of long-run policy. Miss Hardy suggests that when American labor has rid itself of internal dissension it will effectively participate in the domestic affairs of the government; and that participation in domestic affairs will be the prelude to effective participation in foreign affairs.

HARRY HENIG

HOLT, A. *The post-war history of the British working class.* (London: Gollancz. 1937. Pp. 320. 6s.)

LIVERNASH, E. R. *The Colorado labor market and its relation to unemployment compensation.* Reprinted from Univ. of Colorado stud., vol. 24, nos. 2 and 3. (Boulder: Univ. of Colorado. 1937. Pp. 127-187. $1.)

The Social Science Research Council's Committee on Social Security subsidized studies in several states of the labor markets, to be made with special reference to problems of administering unemployment compensation laws; and Mr. Livernash made the one for Colorado.

Occupational distributions of the gainfully occupied, and trends in the general divisions of occupations, are briefly indicated. The coverage of the Colorado unemployment compensation act is analyzed and it is found that slightly fewer than half of the gainfully employed would be covered in "normal" times. Then come separate analyses of the labor markets in mining, manufacturing and transportation. Trade, although of considerable and increasing importance, was not studied. Data used consist primarily of United States Census figures, supplemented by data secured from state reports and personal interviews.

Several conclusions are suggested. Unemployment of long duration will, because of benefit limitations, be inadequately compensated and the problem of exhausted-benefit unemployment is likely to be of major importance. Since much unemployment of a cyclical character appears as seasonal, there may be many unemployed ineligible for benefits under the Colorado law. The result is that in future depressions many of the most needy individuals will receive little or no benefit from the compensation law. The Colorado law may be putting a premium on short-time recurrent unemployment.

Owing to limitations of time and data, the study is necessarily brief and impressionistic. However, numerous suggestions for further studies are made which should prove to be helpful in attacking the many vexing problems that are certain to arise. Reasonably adequate data for use in those detailed and refined studies will probably not be available until the state's unemployment compensation law has been in operation for several years.

DOMENICO GAGLIARDO

MCGREGOR, A. G. *The economic reforms required for lasting prosperity and peace.* (London: Econ. Reform Club. 1937. Pp. 42. 9d.)

MOE, F. *Does Norwegian labor seek the middle way?* (New York: League for Industrial Democracy. 1937. Pp. 40. 15c.)

MUKHERJEE, P. K. *Labour legislation in British India: a study in the legal and economic aspects of labour.* (Calcutta: Chakrabaratty. 1937. Pp. 235. Rs.3.)

RIDLEY, G. *Labour's policy for coal and power.* (London: The Labour Party. 1937. Pp. 12. 1d.)

ROWNTREE, B. S. *The human needs of labour.* (London: Longmans Green. 1937. Pp. 162. 2s. 6d.)

RYAN, F. L. *Industrial relations in the San Francisco building trades.* (Norman: Univ. of Oklahoma Press. 1936. Pp. ix, 241. $3.)

Special studies in the field of labor problems appear to multiply no less rapidly than do treatises on other aspects of economics. Mr. Ryan's book on labor relations in the building trades of San Francisco was preceded by two others dealing with the same group of trades: R. E. Montgomery's *Industrial Relations in the Chicago Building Trades* (1927) and William Haber's *Industrial Relations in the Building Industry* (1930). Since Haber devoted three special chapters respectively to the major metropolitan areas of New York,

Nat. res. proj. on reëmployment opportunities and recent changes in industrial

Chicago and San Francisco, we now have authoritative studies of the principal American centers of the industry in addition to Haber's survey of it along the whole American front. Most in need of systematic study now is the building labor situation in the all-important New York area.

Mr. Ryan has constructed his story out of the source materials: the texts of constitutions, awards and agreements, contemporary reports in the local (lay and labor) press, oral-interview statements of prominent participants in the events recorded. These he has supplemented by drawing widely upon the secondary literature. He describes, successively, the era of competition from the gold-rush days of 1849 to the closing years of the nineteenth century, the quarter-century of union-shop control under P. H. McCarthy and the Building Trades Council, the emergence and domination of the "American Plan" in 1921 and through the decade of the twenties and the recrudescence of a somewhat changed and chastened building-trades unionism with the general-strike movement of 1934.

Mr. Ryan shows, or rather, allows the compelling sequence of events to demonstrate, that labor dictatorships produce "American Plan" dictatorships; that "collective bargaining" without strong, cohesively organized employers' associations, and left-handedly sponsored by labor leaders who avow their hostility to signed, time agreements and instigate instead collusive, restrictive bargains which are little more than unilaterally promulgated union rules for the trade, is not the kind of bargaining that is most salutary for either workers or employers; that craft-unionism, even in the building trades, is a form of union organization, marked by "political impotency" and inevitably prone to exhaust its energies in inter-craft struggles for strategic advantage, without great benefit (where it does not produce downright damage) to the worker-members for whose welfare it ostensibly exists; that the Industrial Association's "American Plan" was no more effective than P. H. McCarthy and his Building Trades Council in preventing strikes, both regimes having been tolerably effective in this respect; that the "American Plan" period was marked by building-labor wage scales lower than those contemporaneously prevailing in any closed-shop city in the United States, and characterized by declining wages for such labor in San Francisco while they rose in union areas.

That the present conservative majority among the San Francisco building unions may in due course shrink to a minority is a conclusion which seems inferable from Ryan's outline of the present state of labor affairs in that city.

Two appendices set out by crafts the scale of wages and hours applicable in 1912 to the members of the unions affiliated with the San Francisco Building Trades Council and the scales of wages and hours awarded during the ascendancy of the "American Plan" by the several Impartial Wage Boards. There is a well-selected bibliography and an adequate index.

P. F. BRISSENDEN

SMITH, A. M. *Ford gives viewpoint on labor: cautions workers on organization.* Reprinted from *Detroit News,* April 29, 1937. (Detroit: Ford Motor Co. 1937.)

VON STRIGL, R. *Der Nachwuchs auf dem Osterreichischen Arbeitsmarkte.* (Vienna: Springer. 1937. Pp. 20. RM. 3.40.)

WEBBER, C. C. *Industrial conflicts—strikes: a study unit.* (Chicago: Nat. Council of Methodist Youth. 1937. Pp. 40. 15c.)

WEINTRAUB, D. and POSNER, H. L. *Unemployment and increasing productivity.*

Labour legislation in Canada, 1936. (Ottawa: H. M. Stationery Office. 1937. Pp

Nat. res. proj. on reëmployment opportunities and recent changes in industrial techniques. (Philadelphia: Works Progress Admin. 1937. Pp. 74.)

YATES, M. L. *Wages and labor conditions in British engineering.* (London: MacDonald and Evans. 1937. Pp. xii, 172. 6s.)

The author is a teacher with a practical background in the Department of Industrial Administration, Faculty of Technology, University of Manchester, who herein uses official statistics and the unusually comprehensive data collected and released by the employers' federation to show the course of earnings and associated matters, in the chief groups of occupations in the metal trades apart from shipbuilding. His chapters deal with the course of post-war employment; classes of engineering workers and effects of production changes on their jobs; organizations among employers and employed; their agreements since 1898; trade-union policy on wages and related conditions; wage systems; wage rates and earnings, pre-war and post-war; and employment and wages of women in engineering. This industry went through a great upheaval during the war, when the trend toward mass production and "dilution" of skilled men by women and others less skilled was accelerated. Today it is prospering greatly by reason of re-armament added to cyclical prosperity. In 1875 very few engineers were paid by piece rates or bonus; now more than half are so paid. This change has kept up earnings better than might be inferred from the drastic wages cuts in 1921-22, and the nearly stationary position of base rates until 1935. Our author brings the wage data down through 1936; and he gives some comparisons with indexes of cost of living, to indicate the course of real wages. He makes no attempt to estimate annual earnings, by allowing for unemployment and short time; and he fails to notice that the unions have raised some questions about the adequacy of the employers' statistics of earnings. His treatment of the inelastic differentials among occupations is excellent; and the book as a whole is a valuable contribution to wage literature.

Z. C. DICKINSON

Annual report of the chief inspector of factories and workshops for the year 1936. (London: H. M. Stationery Office. 1937. Pp. 107. 65c.)

Collective bargaining. (Harrisburg: Commonwealth of Pennsylvania, Labor and Industry Dept. 1937. Pp. 36.)

Dismissal compensation. Stud. in personnel policy no. 1. (New York: Nat. Industrial Conf. Board. 1937. Pp. 18.)

44 hour week laws. (Harrisburg: Commonwealth of Pennsylvania, Labor and Industry Dept. 1937. Pp. 32.)

Industrial homework law. (Harrisburg: Commonwealth of Pennsylvania, Labor and Industry Dept. 1937. Pp. 38.)

The I. L. O. year-book, 1936-37. (Geneva: Internat. Labour Office. 1937. Pp. viii, 607. $2.75.)

Seventh issue of this annual. Eight chapters deal with the following subjects: economic developments; conditions of work; social insurance; the remuneration of labor; employment, unemployment and migration; workers' living conditions; workers' general rights; special problems of certain categories of workers.

International survey of legal decisions on labour law, 1935-36 (eleventh year). (Geneva: Internat. Labour Office. 1937. Pp. li, 443. $2.50.)

notes that the risks of the cheap-money cycle are not "harmonious with the

Labour legislation in Canada, 1936. (Ottawa: H. M. Stationery Office. 1937. Pp. xiii, 176.)

Lancashire: report of the Labour Party's Commission of Enquiry into the Distressed Areas. (London: The Labour Party. 1937. Pp. 24. 1d.)

Local wage rates for selected occupations in public and private construction, 1936. (Washington: Works Progress Administration, Division of Research, Statistics and Records. 1937. Pp. ix, 83.)

Statistical tables showing hourly wage rates paid on construction work under both public and private auspices during 1936 in 1000 localities.

Occupational fatalities increased in 1936. Stat. bull. vol. 18, no. 6. (New York: Metropolitan Life Insur. Co. 1937. Pp. 11.)

Ohio State Federation of Labor: report of the legislative agent. (Columbus: Ohio State Fed. of Labor. 1937. Pp. 90.)

Reduction of hours of work in the chemical industry. Internat. labour conf., 23rd sess., rep. v. (Geneva: Internat. Labour Office. 1937. Pp. 174.)

Reduction of hours of work in printing and kindred trades. Internat. labour conf., 23rd sess., rep. iv. (Geneva: Internat. Labour Office. 1937. Pp. 192.)

Report of the eighteenth national conference of labour women held at St. Andrew's Hall, Norwich, April 27th, 28th, and 29th, 1937. (London: The Labour Party. 1937. Pp. 128. 6d.)

The skill of brick and stone masons, carpenters, and painters employed on Works Progress Administration projects in seven cities in January, 1937. (Washington: Supt. Docs. 1937. Pp. v, 76.)

South Wales: report of the Labour Party's Commission of Enquiry into the Distressed Areas. (London: The Labour Party. 1937. Pp. 32. 1d.)

Unemployment compensation. (Harrisburg: Commonwealth of Pennsylvania, Labor and Industry Dept. 1937. Pp. 37.)

Year-book of labour statistics: second year of issue. (Geneva: Internat. Labour Office. 1937. Pp. viii, 237. $1.50.)

Money, Prices, Credit and Banking

Easy Money: A Study of Low Interest Rates, Their Bearing on the Outlook for the Gold Standard and on the Problem of Curbing a Boom. By LIONEL D. EDIE. (New Haven: Yale Univ. Press. 1937. Pp. 183. $2.00.)

The author has packed his book full of well organized and clearly presented conclusions. For anyone interested in money rates and monetary policy during the period of business recovery, here is a critical and constructive presentation of logical good sense.

The easy-money policy is a "doctrine" of a school of thought which believed that the United States was insolvent on the basis of money rates as they had existed; and it is a philosophy of easy money, promoted to restore solvency, redistribute wealth and perpetuate business recovery. Dr. Edie criticizes this theory brutally, and points out that, pushed to the present extremes for long, the creditor at the other end is made insolvent. He also

notes that the risks of the cheap-money cycle are not "harmonious with the ideal of security."

The author's thesis is that easy money as a Treasury policy is desirable and tenable only during the deflation period of a depression; that, unless interest rates are allowed to rise with the business improvement and the demand for capital, there will be an inflation of values in general, and particularly in the loan portfolios of banks, which cannot last. Nor can these values be stabilized; and the ultimate consequences will be new forms of disillusionment and loss for investors.

Easy money is a "fiscal policy," reflecting "broad political and social trends which are world-wide." In this policy the government abandons one major weapon used in previous attempts to control a boom—"a sharp advance in the discount rate." An attempt to curb a boom without resort to tight money is a great experiment in regulating the capitalistic economy. As a consequence, "the investor has all the natural risks which have always beset his path *plus* a new load of risks which he has not known before," . . . and his fate hinges upon the mental processes of one man or of a small group of men.

Although Dr. Edie does not anticipate the degree of inflation expected by some students of the money question, he says that "whether or not we return to gold, we must stand ready to raise the discount rate in order to avoid inflation." The accepted theory of fluctuating interest rates is an integral part of the gold standard; and inflexible money rates are a definite barrier to returning to the gold standard. "The new gold arrangement is a fickle affair" with gold "stripped of its most basic functions as a regulator of equilibrium between countries." The whole monetary fabric of the world will be put to test in the next depression; and the monetary framework of the United States as well as that of England is in a weak, if not incapable, position to stand that test.

In the treatment of excess reserves Dr. Edie points out the other factors which prevent excess reserves from having their full influence or even from being a menace. Credit expansion is definitely limited under the F.D.I.C. rulings. Banks are required to maintain a ratio of capital to deposits of at least 10 per cent. This rule limits both the extension of bank credit to business and the financing of treasury deficits, and has far more importance than has heretofore been attributed to it. Deposit insurance is workable only on the assumption that the banking system maintain adequate capital assets. The F.D.I.C. is at present in accordance with this view. If this principle and ruling are held, further bank credit expansion beyond the 10 per cent ratio of capital to deposits is limited by the increase in bank capital and not by the size of the reserves. Raising more bank capital is definitely restrained by the present low money rates.

The author is not an alarmist, nor is he failing to take into consideration the dangers that do exist. The sound position to take is that there are "underlying elements of danger in the situation and we should in no sense blind our eyes to them, But in weighing them we should try to apply careful reasoning. During the next few years, we can conceivably have a slow and gradual rise of prices without thereby running into disastrous inflation. If such a rise takes place, it should not be heralded as radical, runaway inflation of the type about which alarmists have been talking."

Equalization funds are explained as to their origin, their original emergency concern with exchange rates, and their ultimate concern for protecting the domestic economy. In other words, the equalization fund managers seek to manage the exchange rates according to the wishes of the managers of the domestic price level. The conception of the equalization fund has broadened until now its functions comprehend about all of the features of the monetary standard.

According to Dr. Edie, the period of easy money is nearly over, and the present prices for high-grade bonds are in about the same dangerous position in which stock prices were in 1929. However, since the book was written, the board of governors of the federal reserve system has taken further steps to ease money rates, a reversal of the stated policy at the time it reduced excess reserves a year ago.

On money rates Dr. Edie does not hold to the classical theory or to the Keynes school. He is on the contrary a realist. His theory is tempered with the practical experience of the market place and is a relief from the dogmatic academic theory of money rates and inflation and of money management with which we have been all too *accurately* indoctrinated.

IVAN WRIGHT

University of Illinois

NEW BOOKS

COVER, J. H. *Financing the consumer.* Report of a conference on consumer financing held at the Univ. of Chicago, May 20, 21, 1937. (Chicago: Univ. of Chicago Press. 1937. Pp. x, 114. $1.)

Thirteen papers are included in this conference, dealing with consumer debt, credit, family budgeting and sales financing.

FÖHL, C. *Geldschöpfund und Wirtschaftskreislauf.* (Munich: Duncker und Humblot. 1937. Pp. xi, 408. RM.12.)

GRUCHY, A. G. *Supervision and control of Virginia state banks.* (New York: Appleton-Century. 1937. Pp. ix, 329. $3.50.)

HARRIS, A. L. *The negro as capitalist: a study of banking and business among American negroes.* (Philadelphia: Am. Acad. of Pol. and Soc. Sci. 1936. Pp. xii, 205.)

This book is devoted largely to a study of financial enterprise among negroes. The story is one of failure, tinged with incompetence and dishonesty. The negro

began to organize banks in 1888. Between that date and 1934, upwards of 134 banks were started. The peak of negro banking came in 1926 when some 33 banks had total assets close to $13 million. The promoters of the banks had much racial enthusiasm but little financial training. Once the banks got under way there was a tendency all too frequently to subordinate the advertised needs of the negro business man for credit to the private speculation of the bank officers. Little or no aid was rendered to farmers—the most important class of independent business men among negroes. Often, usurious interest rates were charged on consumption loans. On the other hand, the banks extended credit liberally to investors or speculators in real estate, to fraternal societies, churches, service establishments; and they made heavy investments in bank buildings and fixtures. The portfolio of the typical negro bank was topheavy with real estate loans. Negro real estate is like other real estate except that it has a narrower and more fluctuating market. In 1934 only a dozen negro banks remained.

The record of negro banks is substantially the record of small banks the country over. Whatever differences exist in management, financial integrity and rate of mortality are differences of degree. Small balances and small loans result in high operating costs which encourage speculative banking. Even under the best of conditions adequate diversification of assets is impossible. Add to that the laxity of bank supervision in the past, and a good part of the history of failures among small banks is explained. But Dr. Harris points out a peculiar disadvantage under which negro banks operate. Most urban negro businesses are small shops and not good credit risks. White businesses prefer to get their credit elsewhere. The only large-scale enterprises among negroes are real-estate trading, service establishments, and the ecclesiastical plant. The scope of commercial banking is therefore limited at the start. A negro bank that does not sit on its hoard lends heavily to churches, amusement concerns, real-estate syndicates, home-owners—because they are the only responsible negro borrowers to whom it can lend. There are no good reasons for expecting that conditions will change for the better. If anything, they are likely to grow worse. Large-scale retail organizations are making it increasingly hard for the small shopkeeper, whether white or colored, to stay in business. White capital is penetrating more and more the amusement and service enterprises once under the control of negroes. Appeals to racial nationalism are unlikely to alter the course of events.

That, in essence, is Dr. Harris' dismal theme. The facts that he adduces bear out the theme. The book is not without defects. The norms that Dr. Harris uses to judge financial statements are too rigid; they do not take account of changes in banking over time or of differences in the type of business done by banks. Some of the statistical tables are gotten up carelessly and there are not a few discrepancies between tables and text. But these defects are of minor importance; they do not affect the substance of the work. On the whole, Dr. Harris has done a commendable piece of original research.

ARTHUR F. BURNS

HOAGLAND, H. E. *Our changing relationships.* (Washington: Fed. Home Loan Bank Board. 1937. Pp. 14.)

Address at the annual meeting of the Pacific Northwest Conference of Savings and Loan Associations at Yellowstone National Park, June 25, 1937.

HOLDSWORTH, J. T. *Money and banking.* 6th ed. (New York: Appleton-Century. 1937. Pp. xi, 614. $3.75.)

Kilborne, R. D. and Woodworth, G. W. *Principles of money and banking.* 4th ed. (New York: McGraw-Hill. 1937. Pp. xix, 513. $3.50.)

Kniffin, W. H. *How to use your bank.* (New York: McGraw-Hill. 1937. Pp. 225. $2.)

LaCrosse, H. T. *Retail credit survey, 1936.* Dom. commerce ser. no. 98. (Washington: Supt. Docs. 1937. 10c.)

Lynden, R. A. *The curse of credit.* (London: Longmans, Green. 1937. Pp. xxxv, 254. 10s. 6d.)

Munn, G. G. *Encyclopedia of banking and finance.* Rev. ed. (Cambridge: Bankers Pub. Co. 1937. Pp. viii, 866. $12.)

Palyi, M. *The Chicago credit market: organization and institutional structure.* (Chicago: Univ. of Chicago Press. 1937. Pp. xvi, 448. $4.)

Few terms are more often used by bankers and economists than "financial center" and few also with less effort to be precise as to meaning. Just what is a financial center and what does it take to make one? Is it absolute, or only relative, size that counts; and is the statistical importance of a city to be determined by the extent to which it has developed special institutions to invest savings, to issue and distribute securities, to record fluctuations in the market prices of stocks, bonds and commodities, to provide machinery for the investment of whatever funds may be dispatched to it during idle seasons from other sections? If Chicago is to rival New York does it need merely to organize neglected institutions; or will it be necessary to surpass the metropolis in wealth and numbers? And what benefits would come to Chicago if it should develop more of the appurtenances of a "center"?

These are interesting questions; and it is fortunate that they are investigated so thoroughly in both their theoretical and factual aspects by Professor Palyi. Works of this sort are further welcome if for no other reason than to abate the popular notion that the study of international finance involves unique principles. Domestic inter-regional comparisons and relationships deserve more emphasis than they have been given. To launch the book further it may also be remarked that those economists who think European branch banking experience is directly applicable to this country may read with profit chapters 5 and 6 ("Unit banking in the Chicago area" and "Concentration of the money market").

Harold L. Reed

Pfleiderer, O. *Pfund, Yen und Dollar in der Weltwirtschaftskrise.* (Berlin: Junker und Dünnhaupt. 1937. Pp. viii, 256. RM.14.)

Following the stated aim of the author, the main portion of the book is devoted "to presenting in an orderly fashion the circumstances interwoven with the monetary devaluations in England, Japan and the United States." Each of three chapters presents, with respect to the country studied, (a) the antecedent difficulties leading up to devaluation; (b) the events and steps incident to leaving the gold standard; and (c) discussion of the effects, to the end of 1935, of the new monetary policy on the circulation of money, the money market, the capital market and government credit, price and wage levels, foreign trade, unemployment, the volume and profitability of industrial production. In the case of the United States, an additional section is devoted to a critique of the "theoretical groundwork of the Roosevelt monetary policy." Although a few minor errors are found, the survey of the United States is quite satisfactory.

Official sources are, in general, used for the 42 tables in the appendix, as well as those in the text.

The fourth chapter is devoted to a more generalized treatment of devaluation, stabilization and the international economy. The author finds that cutting the tie to gold permitted relative cost reduction of international products without deflation and made an easy credit policy possible. Thus, the balancing of international payments was facilitated, and the deflationary force of the depression was transferred to the remaining gold countries. However, devaluation provided no open sesame to national prosperity when domestic structural difficulties remained; unemployment continued in those British industries whose international competitive position was poor; in spite of increased industrial production, Japan's agricultural depression was retained; despite—or because of—huge governmental expenditures in the United States, resuscitation of the capital goods industries did not take place. By 1935 only the predominantly agricultural countries, where increased industrialization had been taking place, were able to exceed the 1928 volume of industrial production. The industrial countries, which subsidized agriculture, and—to a greater extent—the gold countries, failed to re-attain 1928 levels.

He sees no possibility of international stabilization until the international purchasing power of currencies attains equilibrium; and believes that the advantages gained by devaluing countries in this crisis were sufficiently great to insure a recurrence in the next period of stress.

Ernst August Dauer

Prather, C. L. *Money and banking.* (Chicago: Business Pubs. 1937. Pp. xvi, 559. $3.75.)

This volume is designed as a textbook for an elementary course in money and banking. Dr. Prather has presented very clearly the complicated structure and mechanics of our monetary and banking system emphasizing the origin, functions, and historical development of each type of institution. More space than usual is devoted to non-commercial banking institutions, and far less to central banking and monetary theory. The theoretical discussion is meager, and many important phases of monetary and banking theory receive scant consideration.

The important contribution of the author to textbooks in this field of economics is "a frank recognition of the new rôle of governments." The growing importance of our national government in monetary management and in the operation of some and the regulation of other types of credit institutions is deservedly emphasized in nearly every chapter. The book urges recognition and understanding of this development which cannot be dismissed as a temporary or emergency phenomenon.

Bertrand Fox

Skinner, R. D. *Seven kinds of inflation—and what to do about them.* (New York: McGraw-Hill. 1937. Pp. xvii, 273. $2.50.)

There are, according to the author, seven types of inflation which the layman should recognize and guard against. The aim of the book, therefore, is to describe each type and to set up statistical standards, based upon easily available data, whereby each may be recognized. The seven types of inflation discussed are: (1) Inflation of bond prices, to be anticipated when there is an increase in the ratio of total deposits to loans and investments of reporting member banks. (2) Inflation (rise) of short-time interest rates, to be expected with an increase in the ratio of bank loans to deposits. (3) Inflation of stock prices which tends to appear (a) when the American business men's margins of money supply—

The postal savings system of the United States. (New York: Am. Bankers Assoc. 1937. $3.)

measured by the ratio of total bank deposits minus loans to loans—is increasing, (b) when the proportion of bank debits to bank loans is rising, or (c) when there is an expansion in bank credit relative to gold. (4) Inflation of the general price level, accompanied by a growth in the quantity and velocity of deposit credit. (5) Relative inflation of debt to wealth. (6) Relative inflation of interest charges to income. (7) Relative inflation of living costs to income. The last three types of so-called inflation are defined and illustrated but no attempt is made to aid the layman in anticipating their presence.

Unfortunately, the tests suggested for determining the existence of these different inflationary trends are not convincing from either a theoretical or a statistical standpoint. The margins of error in the evidence are altogether too great to give much hope to the poor layman who is promised badly needed help in judging business and financial developments.

The latter part of the book is devoted to an exposition of the dangers of debt to "ownership capitalism" in time of depression and a proposal to diminish this danger. For this purpose, the author advocates the 100 per cent reserve banking plan with the short-term capital requirements of business men to be cared for by "short-term commercial investment trusts" or "equity finance banks." These banks would buy a part interest in business concerns needing capital and, as temporary partners, would share in the profits or losses as they appear. The loanable funds would be derived from deposits withdrawable on the basis of the *pro rata* book value of the equity bank.

R. G. Thomas

Stover, C. *Monetary progress.* (Chicago: Am. Money League. Pp. 320. $2.)

Wall, N. J. *Demand deposits of country banks.* U. S. Dept. of Agric. tech. bull. no. 575. (Washington: Supt. Docs. 1937. Pp. 27. 5c.)

Warren, G. F. and Pearson, F. A. *World prices and the building industry.* (New York: Wiley. 1937. Pp. v, 240. $3.50.)

Willis, P. B. *The Federal Reserve Bank of San Francisco: a study in American central banking.* (New York: Columbia Univ. Press. 1937. Pp. xii, 277. $3.)

A specialized study of banking on the Western Coast. "The policies of the bank in member and non-member bank relations, relative to credit control, in stimulating the economic development of the region, in aiding in the formation of capital and money markets, and in relations with other districts, are given close consideration. An attempt has been made to determine the degree of independence of the San Francisco Federal Reserve Bank in formulating its policies. Local and national problems which have arisen during the course of development of the bank are analyzed for their effect on reserve system and commercial bank operations within the district."

Winakor, A. H. *Banking turnover and facilities in Illinois.* Bull. no. 55. (Urbana: Univ. of Illinois Bur. of Bus. Res. 1937. Pp. 60.)

Wyatt, T. W. *Money and the machine age.* (London: P. S. King. 1937. Pp. ix, 120. 2s. 6d.)

The balance of international payments of the United States in 1936. (Washington: Supt. Docs. 1937. Pp. x, 95. 15c.)

Bibliography of economic science. Vol. III. *Money and finance.* Part II. *(1919-1935).* (Tokyo: Osaka Univ. of Commerce, Inst. for Econ. Res. 1937.)

Money and banking, 1936-37. Vol. I. *Monetary review.* Vol. II. *Commercial banks.* (Geneva: League of Nations. New York: Columbia Univ. Press. 1937. Pp. 170; 174. $1.50, each vol.)

steel producers, etc.) than in earlier issues. The data for this purpose are

The postal savings system of the United States. (New York: Am. Bankers Assoc. 1937. $3.)

Present day banking, 1937. (New York: Banking, Jour. of Am. Bankers Assoc. 1937. Pp. xiv, 329.)

The recent banking crisis with its concomitant legislation naturally has resulted in a re-appraisal by the banker of his rôle in the economic system. It is gratifying to students of banking to have as one of the objective results of this introspection the present volume which includes 50 papers presented by 49 different bankers, or persons closely affiliated with the banking profession, at regional conferences held during the Spring of 1937 at Atlanta, Pittsburgh, and Portland, Oregon. These discussions cover 19 different subjects of current interest, including such issues as the chartering of new banks, loan administration, investment policies, budgetary and expense control, banking income, public relations, personal loans, banking education, F.H.A. loans, bank insurance, crime protection, and the place of the bank in a rural community. The wide latitude of this material renders impracticable an appraisal of specific discussions, but they collectively reveal a penetrating insight into the internal and external problems facing the banking fraternity. There is, moreover, a refreshing degree of candor, a pervasive spirit of constructive self-criticism, and and an open-minded attitude which suggests an articulate recognition by the bankers that the survival of the business of chartered banking rests fundamentally upon the degree to which they perform effectively the function of credit administration in the immediate future. Although of necessity the proceedings of such symposia involve considerable repetition, the duplication is not without its value as differences in viewpoint and philosophy are thereby revealed along with variations in techniques of administration. Naturally, the volume is not replete with systematized data, though there are notable exceptions, or with pioneering theories; but there is an abundance of illustrative material which academicians can with profit utilize in a realistic treatment of banking. Its major contribution is in its vivid picture of the current stream of thought in banking channels.

John B. Woosley

Statistics of capital movements between the United States and foreign countries and of purchases and sales of foreign exchange in the United States, first quarter, 1937. Rep. no. 3. (Washington: Supt. Docs. 1937. Pp. 55. 15c.)

Trustee savings bank year book. (London: Trustee Savings Bank Assoc. 1937. Pp. 231.)

Public Finance, Taxation, and Tariff

The Cost of Government in the United States, 1934-1936. By Lewis H. Kimmel. (New York: National Industrial Conference Board. 1937. Pp. xiii, 137. $3.50.)

This is the twelfth issue of this convenient handbook in the "Cost of Government" series. The usual tables of expenditures, tax collections, and public debts are continued and brought to date. Rather less space is given to the cost of special services, like schools and highways, and more to the distribution of the tax burden by industrial groups (as farmers, railways,

This brief volume is a much-needed summary and analysis of basic changes in the American national debt, made to discover the effects of these changes upon government credit. The principal conclusion of the study is

steel producers, etc.) than in earlier issues. The data for this purpose are admittedly inadequate, especially, one may say, for the farmer group; and future expansion is hoped for. This achievement will certainly be welcomed by all students who have struggled with the problem.

The tables amply justify the suggestion in the foreword that a fitting title for the book would be *New Levels of Public Finance*. But perhaps the most distinctive feature of this issue is the attention given to the continued federal deficit, to which a chapter is devoted, and to the whole debt situation, federal, state and local. The traditional policy of the Board has, in the main, been to present the tables with explanatory comments and to let the facts speak for themselves. In the present volume the textual comment indicates more pointedly than usual "what ought to be done about it." A bias is shown for balancing the budget by a reduction of expenditures rather than by an increase of taxes.

Of special importance is the discussion of "Federal debt problems" (pp. 110-117). Interest here centers upon the reserve provisions of the Social Security act for old-age assistance and the trust-fund requirements for unemployment insurance. Questions are raised as to the manageability of these funds; the costly interest payments involved in accumulating them; the effect on the banks (holding in 1936, 53.8 per cent of the federal debt), of shifting these large amounts to the reserve funds; and, finally, as to the operation of the investment provisions of the Act. Thus far the provision for investing the funds in United States securities yielding not less than 3 per cent could be complied with only by issuing new 3 per cent bonds, since purchases in the open market would not yield that return. When, as Mr. Kimmel foresees will happen under the law as it stands, all the outstanding debt shall have passed from the banks and private holders to these funds, the continued issue of bonds to meet investment requirements, will, it is argued, stimulate expenditures to higher levels. The implications as to how the situation should be met are obvious.

Would it not tend to clarify the debt situation if there were included in a table giving the volume of debt columns to show the assets acquired through debt expansion whether belonging to the federal, state or local governments, and distinguishing those that are reproductive from those which add nothing to the public treasuries? And would it not tend to relieve somewhat the real and justifiable anxiety about the volume of debt?

G. O. VIRTUE

University of Nebraska

The National Debt and Government Credit: Factual Findings. By PAUL W. STEWART and RUFUS S. TUCKER, with the assistance of CAROLYN STETSON. (New York: Twentieth Century Fund. 1937. Pp. xvii, 171. $1.75.)

expenditures are likely to increase rather than decline, the authors might have emphasized more strongly the pressing need for higher taxation.

WILLIAM WITHERS

This brief volume is a much-needed summary and analysis of basic changes in the American national debt, made to discover the effects of these changes upon government credit. The principal conclusion of the study is that "neither the present size of the debt nor the large increase occurring during the depression have as yet endangered the credit of the federal government." Future impairment of federal credit is anticipated, however, if the budget continues to be unbalanced. The sponsoring committee, consisting of Oswald W. Knauth, James W. Angell, Joanna Colcord, George W. Harrison, George M. Putnam and Donald R. Richberg, propose a program of debt retirement of at least one billion dollars a year. The retirement program is to begin in 1939, regardless of whether times are good or bad. These conclusions were reached mainly through comparative study of the debt burdens of France, England and the United States, as measured by ratios of debt to wealth, income and population, and through analysis of the recent marketability and refunding of federal securities.

Although the methods and conclusions of this study may be heartily approved, the treatment seems too narrow in scope. The social and economic effects of the national debt are more significant, and deserve more study, than the state of the public credit. Yet in this volume, the social effects of the debt are subordinated to the consideration of public credit. Furthermore, public credit is rather arbitrarily linked to "confidence in public policies," an unmeasurable concept; and the relationship between the data collected and this vague concept proves far too tenuous. One senses that to the authors public credit is an absolute, almost moral, notion, which is used as the basis of interpretation and is not derived from the data. Moreover, the economic theory underlying the concept is not clearly revealed. At one point psychological factors may be selected as most important in determining credit conditions. At other points, the interest rate, and at still others habit, custom and political pressures are selected. Uncertainty as to the economic theory underlying the monetary analysis may account for the fact that the study seems more useful as a brief survey of recent debt statistics than as an investigation of debt burden. Little new light is shed upon the relation of the public debt to inflation and economic welfare.

The study might have benefited from a more dynamic approach to the problems of public credit. Although the authors emphasize the necessity of taking debt trends into account, and reiterate that the absolute amount of debt does not determine its effects, they use comparisons of debt and wealth rather than of debt service and income as their basic measures of debt burden. They hastily characterize relief and recovery expenditures as unproductive, and pass over the important question of the distribution of debt holdings with barely more than a brief statement that it was not investigated. Having concluded that the debt burden of America is much lower in terms of wealth than that of England or France, and having provided evidence that

measures. They are, in fact, doing so now. If Mr. Tuller's interpretation is correct, then, in proportion as it is correct and inclusive, it constitutes an argument for the amendment of both the federal Constitution and many of the state constitutions.

expenditures are likely to increase rather than decline, the authors might have emphasized more strongly the pressing need for higher taxation.

WILLIAM WITHERS

Queens College

A Treatise on the Taxing Power, with Particular Application to the State Income Tax. By WALTER K. TULLER. (Chicago: Callaghan. 1937. Pp. xvii, 460.)

According to the author's interpretation "every state income taxing statute now on the books (except possibly that of Massachusetts) is unconstitutional, either in whole or in considerable part." While the author explores the federal income tax and other federal and state taxes, and concludes that many of them are unconstitutional, he is primarily gunning for the state income taxes. It would be improper for any lay reviewer to take issue on this point. But it is proper to suggest the economic consequences of a legal interpretation that would bar practically all state income taxes.

In the legal sense of course, property consists not of tangible things owned but of any or all rights in such things. One of these rights is the right to receive income. A tax imposed on income is, therefore, on a property right, which is itself property. It must conform to all the property tax requirements of state constitutions and also such limitations as are found in the federal Constitution. This fact, Mr. Tuller believes, would render many state income taxes invalid under state constitutions, and all or most of them under the federal constitution, specifically under the Fourteenth Amendment.

Whatever may be the legal definition of property as right in things owned, and in business and professions, it is clearly at variance with the layman's notion of property taxes and income taxes. It is also at variance with the essential practices of state property and income taxes. If Mr. Tuller's advice to the court to strike down all taxes on property not acceptable to him is to be followed, then the states and their subdivisions would be in dire straits for revenue. For not only all taxes on income, but a large number of other taxes, in fact most of them, rest on some property right or other and do not conform to both the respective state constitutions and the federal Constitution.

The popular, as well as the economic notion of taxes on property is that they are levied on persons with respect to the aggregate value of wealth owned. The popular and economic notion of both the federal and state income taxes is that they are imposed on property with respect to net increment in the assets of the recipient during a fiscal period. These two taxes are of distinct kinds. A rational taxation policy requires that in order to apportion the tax burden according to accepted economic principles, the government must have the power to levy taxes with respect to both of these

judicious treatment. It should not be forgotten that much responsibility for the execution of national developmental policies fell in practice upon the provinces. Large provincial outlays to promote the building first of roads, then of railways, then more roads and hydro-electric undertakings, to say

measures. They are, in fact, doing so now. If Mr. Tuller's interpretation is correct, then, in proportion as it is correct and inclusive, it constitutes an argument for the amendment of both the federal Constitution and many of the state constitutions.

The book under review does not confine itself to interpretation of the law. It begins and ends with a fervent defense of a strict interpretation of the constitutional limitations which "make us a free people." It would be interesting to see what sort of tax system Mr. Tuller would set up to meet the requirements of revenue of our state and local governments. If it is true, as the author has asserted, that the law like Topsy to a certain extent "just growed," it may be said with greater truth that the tax system has "growed" and that this fact is due primarily to the legal limitations so much extolled by the author, which are themselves, as the author says, the result of historical accident.

JENS P. JENSEN

University of Kansas

Federal Subsidies to the Provincial Governments in Canada. By J. A. MAXWELL. (Cambridge: Harvard Univ. Press. 1937. Pp. xi, 284. $3.00.)

In the first fourteen chapters of this volume (Part I) the author's previous papers on unconditional subsidies are consolidated and extended in a most useful form. The approach is that of the political historian. Successive revisions of subsidies in favor of the provinces are described in detail; and the futility of finality clauses is once more demonstrated. It is argued that in readjusting financial relations the federal government should have dealt with all the provinces at once instead of one at a time. Doubtless such a method would have been more orderly and perhaps less easily exploited for election purposes, but it would not have been well adapted to different stages of growth and might well have cost the federal treasury a much larger sum than the piecemeal method actually followed.

The importance of financial adjustments through ordinary acts of Parliament as a means of avoiding the difficulty of amending the Constitution is stressed. Had no such adjustment been made, the strains put upon the Canadian confederation might have become intolerable, although (as he repeatedly asserts) more austerity on the part of Ottawa would have discouraged provincial hopes of better terms and led to more vigorous taxing policy in place of more delegations.

Professor Maxwell does not like the ways of politicians, especially provincial politicians. He prefers to condemn rather than to inquire or explain. No doubt his strong epithets are often justified, but they suggest the heated language of opposition benches (which might better have been left to speak for themselves) and mar the tone of what is intended to be a

shown that conditional subsidies can satisfy all the demands for adjust-

judicious treatment. It should not be forgotten that much responsibility for the execution of national developmental policies fell in practice upon the provinces. Large provincial outlays to promote the building first of roads, then of railways, then more roads and hydro-electric undertakings, to say nothing of welfare and educational expenditures, imposed heavy fiscal burdens. In an endeavor to meet these burdens, it was usually the provincial rather than the federal authorities who were obliged to introduce the unaccustomed discipline of direct taxation. Whatever the excuses for better terms trumped up by lawyers and politicians, most of whom seem to have been innocent of any knowledge of new fiscal practices in other countries, the difficulties of raising adequate tax revenues in a constitutional manner from predominantly agricultural and frontier communities were surely fundamental to demands for better terms. Political maneuvers employed in the securing and giving of subsidies were no doubt representative of practices common to allocating every type of controllable expenditure; and it may be doubted whether a reform of subsidies alone would have had much influence on the character of financial administration at large. Moreover, the insistent pre-war demand for larger current revenues as an alternative to debt creation (which has run to precarious lengths chiefly since the war) will be regarded by many as sounder policy than the later concentration upon borrowing.

Conditional subsidies are dealt with in the last four chapters (Part II). The federal grants designated for agricultural instruction, technical education, highway construction, employment offices, combating venereal disease and providing old-age pensions are described. In view of the difficulty of securing adequate evidence on the success of conditional subsidies, and the small amount of evidence actually presented, the crisp conclusions on particular measures hardly seem justified. Detailed studies recently made under the auspices of the Social Science Research Council may throw some light on the problem. The author's proposals for further conditional subsidies and abolition of unconditional ones have much to recommend them, but it is likely that an even greater strain upon the federal treasury would result from their adoption, since a uniform system of conditional grants broad enough in its scope to cover the varied requirements of different provinces would have to cover a much wider field than the urban social services, which are designed chiefly for Ontario and Quebec. The force of this argument is demonstrated in the history of percentage grants for technical education, which proved unsuitable for agricultural provinces. The possibility of conditional grants confined wholly or chiefly to certain provinces seems worth exploring. The importance of fiscal need is given attention in this part of the work, but the attitude does not seem to be consistent with that adopted in earlier chapters. It remains to be

shown that conditional subsidies can satisfy all the demands for adjustment arising under Canadian conditions.

D. C. MacGregor

University of Toronto

NEW BOOKS

Alvord, E. C., and others. *How shall business be taxed?* (New York: Tax Policy League. 1937. Pp. vii, 175. $2.50.)

Collection of papers presented at the symposium conducted by the Tax Policy League, held at Chicago, December 28-29, 1936. Titles of papers are "What is business and what are business taxes?" by K. M. Williamson; "The attitude of business concerning business taxation," by Noel Sargent; "Equity and expediency in business taxation," by H. M. Groves; "Critique of present methods of business taxation in the United States," by A. G. Buehler; "European taxation of business," by Mabel Newcomer; "Flat *versus* graduated rates for business net income taxes," by Roy Blough; "New York's experience with a tax on unincorporated business," by Paul Studenski; "The taxation of undistributed profits from the business point of view," by E. C. Alvord; "The taxation of undistributed profits from the point of view of the federal tax structure," by G. C. Haas; "The taxation of undistributed profits from the theoretical point of view," by Carl Shoup; "Financing social security by means of payroll taxes," by L. P. Rice; "Financing social security: reserves *versus* current taxation," by E. E. Witte.

Anderson, H. D. *Our California state taxes: facts and problems.* (Stanford University: Stanford Univ. Press. 1937. Pp. 313. $2.75.)

Buck, A. E. and Mansfield, H. C. *Fiscal management in the national government.* 1. *Financial control and accountability.* 2. *The general accounting office.* Stud. on admin. manag. in the govt. of the U. S. no. 11. (Washington: Supt. Docs. 1937. Pp. 62. 20c.)

Cornell, F. G. *A measure of taxpaying ability of local school administrative units.* (New York: Teachers Coll., Columbia Univ. 1936. Pp. viii, 114.)

Ecker-R., L. L., editor. *Financing relief and recovery.* Reprinted from *The municipal year book, 1937.* (Chicago: Internat. City Managers' Assoc. 1937. Pp. 372-493.)

This pamphlet contains a group of six careful and readily usuable studies of as many phases of the federal relief and recovery program. The services analyzed are the Reconstruction Finance Corporation, the Federal Emergency Relief Administration, the Civil Works Administration, the Works Progress Administration, the Federal Emergency Administration of Public Works, and public assistance under the Social Security act. Written as the studies are (in all cases except one) by executives or experts associated with the organizations analyzed, they contain little that is critical of the program. Nor is it the authors' intention to praise or blame. Their chief purpose is rather to explain the development and organization of the services and the division of financial responsibility as it has worked out for the complex of localities, states and nation, for one state or groups of states as against others, and for urban regions as against rural. Nevertheless, together with the concise factual material, the series contains

many penetrating observations about the American scene. The concluding article in particular, that by Mr. Geoffrey May and Mrs. Zilpha C. Franklin of the Bureau of Public Assistance of the Social Security Board, is a little masterpiece of social and financial analysis.

ALZADA COMSTOCK

GEBHART, J. C. *Economy and relief.* (New York: Nat. Economy League. 1937. Pp. 18.)

KIXMILLER, W. *Foundation guide for payroll taxes: Social Security act; state laws.* (Chicago: Foundation Press. 1937. Pp. xviii, 616.)

LACHAPELLE, G. *Les finances de la IIIème république.* (Paris: Flammarion. 1937. Pp. 252.)

LOWE, J. B. and WRIGHT, J. D. *Minimizing taxes on incomes and estates: tax avoidance versus tax evasion.* (New York: Barron's. 1937. Pp. 100. $2.)

MANN, F. K. *Steuerpolitische Ideale: vergleichende Studien zur Geschichte der ökonomischen und politischen Ideen und ihres Wirkens in der öffentlichen Meinung, 1600-1935.* (Jena: Fischer. 1937. Pp. xii, 364. RM.15.)

PEARCE, F. L. *Income tax fundamentals.* (Chicago: Foundation Press. 1937. Pp. 607. $5.)

RAE, P. M. *The £ s. d. of national defence.* (London: Hodge. 1937. Pp. xvi, 199. 6s.)

ROZMAN, D. and SHERBURNE, R., compilers. *Analysis of receipts and expenditures of state, county, and municipal governments in Massachusetts.* Special circ. no. 17, rev. May, 1937. (Amherst: Mass. State Coll. Extension Serv. 1937. Pp. 18, mimeographed.)

SELKO, D. T. *The administration of federal finances.* Pamph. ser. no. 18. (Washington: Brookings Inst. 1937. Pp. viii, 71. 50c.)

SHULTZ, W. J. and CAINE, M. R. *Financial development of the United States.* (New York: Prentice-Hall. 1937. Pp. xxviii, 757. $5.)

WAKEFIELD, R. P. *Tariff handbook on canned foods in the western hemisphere.* Trade promotion ser. no. 97, partial rev. (Washington: U. S. Dept. of Commerce, Bur. of Foreign and Domestic Commerce. 1937. Pp. 53. 10c.)

WILKINS, E. G. *Public school tax management in Texas.* (New York: Teachers Coll., Columbia Univ. 1937. Pp. 105.)

American federal tax reports: a convenient collection of unabridged court decisions from every American court—state and federal—that has had before it problems arising under the federal tax laws. Vol. 17. *Table of cases, cross-reference table and index covering volumes 15, 16 and 17.* (New York: Prentice-Hall. 1937. Pp. 1489.)

Construction and use of tax maps. Assessment practice ser. no. 1. (Chicago: Nat. Assoc. of Assessing Officers. 1937. Pp. 51. 50c.)

Customs and excise tariff of the United Kingdom of Great Britain and Northern Ireland, in operation on the 1st August, 1937. (New York: British Library of Information. 1937. Pp. x, 336. 35c.)

Financial statistics of cities having a population of over 100,000, 1935. (Washington: Census Bureau. 1937. Pp. 175. $1.)

Motor fuel tax law of New York with regulations and general instructions, 1937. (Albany: N. Y. State Tax Bull. 1937. Pp. 29.)

Public revenue from alcoholic beverages for the year 1936. (Washington: Distilled Spirits Inst. 1937. Pp. 23.)

Population and Migration

NEW BOOKS

THOMPSON, W. S. *Research memorandum on internal migration in the depression*. Bull. 30. (New York: Social Science Res. Council. 1937. Pp. vii, 86.)

TRUESDELL, L. E. *Growth of urban population in the United States of America*. (Washington: U. S. Bur. of the Census. 1937. Pp. 8.)

Paper read at the Population Congress of the International Union for the Scientific Investigation of Population Problems, held in Paris, July, 1937.

Social Problems and Reforms

Middletown in Transition; A Study in Cultural Conflicts. By ROBERT S. LYND and HELEN MERRILL LYND. (New York: Harcourt Brace. 1937. Pp. xviii, 580. $5.00.)

"Plus ça change; plus c'est la même chose."

Ten years after their original study of *Middletown*, the Lynds and their staff returned to discover what changes, especially in attitudes and points of view, had developed during the boom of 1928-29, the crisis, the depression, and the "upward" swing. For some reason—which can hardly be called "cultural lag" much longer—the changes appear to be slight and insignificant.

While this new study is more interesting than the first, largely because the Lynds have indulged more freely in interpretation, it is rather less convincing. Something has gone out of the investigators, and something perhaps has crept in of the "Middletown Spirit." After all, these are friendly people. Suppose they still believe in individual opportunity when it is disappearing? There is the X family, a constant reminder that individual opportunity in a very large way has existed and may still exist in Middletown. For the X family was concealed in the earlier study among a crew of third and fourth-rate "boosters," and those who read the first book were as surprised as was the rest of the country when a Middletown citizen was found to be involved in the purchase of the Van Sweringen transportation interests. Perhaps there is no type, and communities should be studied for their individuality.

The first study of Middletown was received with great enthusiasm by reviewers for the most diverse reasons. Some social scientists thought they found in it a new approach to the study of society almost as original as that of Cooley. Mencken pontificated with his old vigor that this was what he had been saying all along. Robert Lynd seems to have returned to Middletown with reluctance, but it is well that he overcame it.

A new factor is to be found in the chapter on "Getting a living," which reflects the ups and downs of trade unions under the National Recovery act. Mr. Lynd suggests that only outside forces will be able to unionize

either the X family enterprises or the General Motors Corporation plant, and the city still advertises itself as a low-wage, non-union center, a refuge for industrialists increasingly needing protection against organization. This was written before the general agreement was made between the CIO and GMC and the outside influence has now appeared.

Mr. Lynd has gone far beyond the custom in the matter of interpretation, and in his preface he makes suggestions as to the value of what he calls "vertical" as opposed to the community studies of our society. This distinction is important but not to be dismissed too shortly as alternative treatment. Both "vertical" studies of either social problems or social organization and "community" studies are needed if we are to get a more realistic and somewhat more scientific view of our society. The two, in fact, intertwine.

The original *Middletown* was intended as a study of a "typical community." The new study shows, what might have been known in advance, that no community is typical and that what is needed is a study of variety among communities for it is in the variations that meaning lies. It is a surprise to this reviewer that we have not had more of these community studies, though we have had some, and it is to be hoped that others will follow so that a basis of comparison can be laid for further understanding of local American communities.

This is not a book for an optimist, but it is full of suggestions of the way in which our culture is moving and as it penetrates even Middletown it will modify the crust of custom and thought which has been so little affected by national and world upheavals. The Lynds and their research staff are to be congratulated on a fine job of social interpretation.

NORMAN J. WARE

Washington, D.C.

The Economics of Consumption. By CHARLES S. WYAND. (New York: Macmillan. 1937. Pp. xii, 565. $3.50.)

Books on consumption continue to increase. This one is the third bearing the title *Economics of Consumption.* But none has as yet clearly outlined the field of consumption and shown its relation to economics, nor does Mr. Wyand's book do anything to remedy this deficiency.

The author laments, what seems to him, a failure in the past to recognize the importance of demand. He believes that "the careful analysis of consumer habits by the economist seems imperative if intelligent coördination of the supply of and the demand for consumer goods is ever to be a reality" (p. vii). Yet at no time does the author show how a knowledge of these will lead to the "intelligent coördination" which, he seems to feel, has not heretofore occurred. And curiously in view of the stated purpose, consumption is defined as the destruction of utilities. This leads the author to conclude that consumption has nothing to do with land even though

consumers' choices result in its being put to one use rather than another. Even more strange is the individual he identifies as a consumer, "any person whose productivity as measured by his current income is less than current expenditure for the satisfaction of his wants" (p. 102).

Factors influencing choice occupy the major portion of the book. Consumers are in general pictured as a weak-minded lot. Clarity of thinking is certainly not promoted by the discussion in a single short section entitled "Climatic influences," of the effect on consumption (1) of a mild winter permitting insects to survive and leading later to a crop shortage, and (2) of the difference in the amount spent for coal in Maine and Florida Keys (p. 215). Many may be surprised to discover that present sumptuary laws include import duties and marriage and dog licenses (p. 365).

The dominant theme of the book is, however, waste of productive resources. Because of this waste, consumption standards fall far short of what they might be. Much attention is given to the power of producers to shape desires and to influence choice, and the danger and waste occurring when such power is wielded by those concerned only with profit. Control of demand he believes should rest with those interested primarily in consumer welfare. Who these are, apart from consumers themselves, is not clear. Waste because of unused productive capacity is also emphasized.

Human wants, not profit, must determine the use of productive resources. Thus Mr. Wyand believes that the profit system must go because it is inherently wasteful, but even more because it can no longer function since it has become so productive that the scarcity necessary for its motivation no longer exists. No comment is made on this curious paradox. Suggestions for improvement are very sketchy. Little benefit from consumers' coöperatives, as they are now organized, is foreseen. These, Mr. Wyand grants, might help consumers to get the goods they think they want at a lower cost than at present, although he believes that present agencies are quite efficient in this respect. The consumers' coöperative to serve its real purpose "would have to create new wants for its constituents" (p. 416). It must be concerned with maximizing welfare rather than serving merely as a purchasing agency.

As a first step in achieving a "consumer economy" the establishment of a "Federal Department of the Consumer" is proposed. This would be a center of research for the dissemination of information about market goods; it would control the sale of harmful products, check all misrepresentation, and set up the requirements for informative labeling. Nothing is said about making this bureau responsible for checking monopolies and agreements in restraint of trade or for advising industry when over-expansion was occurring and where resources might be better used. But in the end it appears that the profit system is to continue with some controls to offset to some extent its evil tendencies.

Throughout the whole book one is impressed with the author's earnestness and interest in achieving greater social welfare, and with the labor that went into the book. But even more outstanding is the author's lack of knowledge of the integrated functioning of the economic system. Again and again one perceives the failure to recognize that distribution of income arises from payments to the factors of production; for the failure of the profit system is laid to the fact that "consumers' buying power will not absorb all the nation can produce" (p. 40). Of the period from 1700-1900 we learn: "The wants were present, the money was available with which to satisfy these wants, but the goods and services were not forthcoming" (p. 29). Less would have been said about scarcity endangering the profit system if it had been recognized that production profit is a surplus, not a cost, that price need only be high enough to cover costs, and that costs in any industry are determined by opportunities. We find that "adjustment of economic means to economic ends now looms as the next step in our economic evolution" (p. 53). When indeed has there ever been any other economic problem than that of using scarce means in achieving desired ends?

MARGARET G. REID

Iowa State College

NEW BOOKS

ABBOTT, E., editor. *Some American pioneers in social welfare: select documents.* (Chicago: Univ. of Chicago Press. 1937. Pp. xi, 189.)

Preprinted from *A documentary history of social welfare in England and America.*

AMENT, E. P. *Industrial recovery legislation in the light of Catholic principles.* (Washington: Catholic Univ. of America. 1936. Pp. ix, 115.)

BEACH, W. G. *An introduction to sociology and social problems.* Rev. ed. (Boston: Houghton Mifflin. 1937. Pp. xiv, 370. $2.25.)

BOWMAN, I. *A design for scholarship.* (Baltimore: Johns Hopkins Press. 1936. Pp. vi, 185.)

BRADBURY, S. *The cost of adequate medical care.* (Chicago: Univ. of Chicago Press. 1937. Pp. viii, 86. $1.)

The conclusions of this study are significant.

In 1932 the Committee on the Costs of Medical Care published a volume by Roger I. Lee, M.D., and Lewis W. Jones entitled, *The Fundamentals of Good Medical Care.* By bringing together illness rates for the different diseases and estimates of the amount and kinds of medical service required in treatment, the authors developed estimates of the amount of medical service of each kind and type required to provide good medical care to a specified population group. Dr. Bradbury goes on from where Lee and Jones left off. Using the minimum fee schedule adopted for 1933-1934 by the Chicago Medical Society, and multiplying services required by the appropriate fees, he has developed estimates of the cost of good medical care. His results are striking. Adequate medical care, preventive and curative, purchased at prevailing fees under the prevailing system of private, individual practice, would cost, on the average,

$75.75 per person per year, $310 per family, and about $9,500,000,000 for the nation as a whole. That is exclusive of dentistry and community public health services. These figures may be compared with present annual expenditures for the same services of about $17 per person, $70 per family, and $2,400,000,000 for the nation as a whole.

Dr. Bradbury would claim nothing more for his conclusions than that they are rough approximations. Yet his results are not surprising in view of what we know concerning the inadequacy of the medical care received by the mass of the population.

This study is additional evidence (1) that the purchase of adequate medical care at the prevailing level of fees is simply out of the question for the mass of the population; and (2) that any program designed to improve the nation's health care must concern itself not merely with a better distribution of the cost of care, but with ways and means of lowering that cost.

LOUIS S. REED

CHAPIN, F. S. and QUEEN, S. A. *Research memorandum on social work in the depression.* Bull. 39. (New York: Social Science Res. Council. 1937. Pp. xii, 134.)

COLLINS, S. D. and TIBBITTS, C. *Research memorandum on social aspects of health in the depression.* Bull. 36. (New York: Social Science Res. Council. 1937. Pp. xiii, 192.)

DAVIS, M. M. *Public medical services: a survey of tax-supported medical care in the United States.* (Chicago: Univ. of Chicago Press. 1937. Pp. ix, 170. $1.50.)

A very considerable amount of what may loosely be called "state medicine" exists in the United States. Of all care for mental disease, 95 per cent is given in public, tax-supported hospitals; over 80 per cent of all beds available for patients with tuberculosis are in government-owned hospitals; nearly one-third of all beds available for general hospital care are in public hospitals; the combined appropriations for all public health departments, federal, state and local, exceed $100,000,000 annually; each year the federal government spends more than $40,000,000 for medical and hospital care for veterans, the vast majority with ailments of non-service origin. All told, some $500,000,000 of tax funds are spent annually for the provision of medical care, this being approximately one-seventh of the total spent annually in this country for medical care.

Argument over governmental participation in the provision of medical service waxes hot. The debaters demolish each other with mighty generalizations. Amidst the battle, little if any reference is made to existing public medical services. Perhaps one reason is that so little is known about them; they have grown up quietly in response to specific needs, and few have been aware of the character and extent of the development.

Dr. Davis' book fulfills a decided need. His is the first substantial attempt to survey existing public medical services, to indicate their extent, to describe how and why they have come into being, what branches of government are responsible for them, how they are administered, and to undertake an appraisal of the development as a whole.

The scope of the book is sufficiently indicated by the chapter headings: "Backgrounds of public responsibility," "Home medical care," "General hospitals for acute and chronic diseases," "Hospitals and clinics for mental disease and tuberculosis," "Tax payments for non-governmental hospitals," "General

medical care for certain non-dependent groups," "Medical care for diseases or conditions of public health interest," "Summary of tax-supported care," "Quality of service," and "Coördination of service."

LOUIS S. REED

GULICK, L. and URWICK, L., editors. *Papers on the science of administration.* (New York: Inst. of Public Admin., Columbia Univ. 1937. Pp. 195.)

A collection of 11 articles, brought together for use by the President's Committee on Administrative Management.

KINCHELOE, S. C. *Research memorandum on religion in the depression.* Bull. 33. (New York: Social Science Res. Council. 1937. Pp. ix, 158.)

MCCABE, D. A., LESTER, R. A. and DELL, B. N. *Population, labor and social reform.* (Boston: Little Brown. 1937.)

MILLS, O. L. *The seventeen million.* (New York: Macmillan. 1937. Pp. 143. $1.75.)

MILLSPAUGH, A. C. *Crime control by the national government.* (Washington: Brookings Inst. 1937. Pp. xiv, 306. $2.)

NOLEN, J. and HUBBARD, H. V. *Parkways and land values.* (Cambridge: Harvard Univ. Press. 1937. Pp. 135. $1.50.)

NORTHROP, M. S., BROWN, M. J. and GORDON, K. *A survey of the transient and homeless population in 12 cities, September, 1935, and September, 1936.* (Washington: Works Progress Admin. 1937. Pp. xiii, 52.)

QUINN, J. A. *The social world.* (Philadelphia: Lippincott. 1937. Pp. 558. $1.80.)

SELLIN, T. *Research memorandum on crime in the depression.* Bull. 27. (New York: Social Science Res. Council. 1937. Pp. vii, 133.)

SIMEY, T. S. *Principles of social administration.* (London: Oxford Univ. Press. 1937. Pp. vii, 180. 10s.)

STEINER, J. F. *Research memorandum on recreation in the depression.* Bull. 32. (New York: Social Science Res. Council. 1937. Pp. vii, 124.)

STOUFFER, S. A. and LAZARSFELD, P. F. *Research memorandum on the family in the depression.* Bull. 29. (New York: Social Science Res. Council. 1937. Pp. x, 221.)

VAILE, R. S. and CANOYER, H. G. *Research memorandum on social aspects of consumption in the depression.* Bull. 35. (New York: Social Science Res. Council. 1937. Pp. vii, 86.)

WAPLES, D. *Research memorandum on social aspects of reading in the depression.* Bull. 37. (New York: Social Science Res. Council. 1937. Pp. xvi, 228.)

WHITNEY, F. L. *The elements of research.* (New York: Prentice-Hall. 1937. Pp. xvii, 616. $3.50.)

YOUNG, D. *Research memorandum on minority peoples in the depression.* Bull. 31. (New York: Social Science Res. Council. 1937. Pp. x, 252.)

Bibliography of reports by state and regional planning organizations. No. 1. *Reports received in the library of the National Resources Committee, January-April, 1937.* (Washington: Nat. Resources Committee. 1937. Pp. 14.)

Central Scotland: report of the Labour Party's Commission of Enquiry into the Distressed Areas. (London: The Labour Party. 1937. Pp. 24. 1d.)

Directory of social agencies of the city of New York, 1937-1938. Welfare Council of N. Y. pub. (New York: Columbia Univ. Press. 1937. Pp. 499. $3.)

Final report of the League of Nations Mixed Committee on the relation of nutrition to health, agriculture and economic policy. (Geneva: League of Nations. New York: Columbia Univ. Press. 1937. Pp. 300.)

Housing authority: hearings before Committee on Banking and Currency, House of Representatives, 75th Congress, 1st session, on (H. R. 5033), (S. 1685), bill to provide financial assistance to the states and political subdivisions thereof for the elimination of unsafe and insanitary housing conditions, for provision of decent, safe, and sanitary dwellings for families of low income, and for the reduction of unemployment and the stimulation of business activity, to create a United States Housing Authority, and for other purposes, August 3-6, 1937. (Washington: Supt. Docs. 1937. Pp. 313. 25c.)

Housing officials' yearbook, 1937. (Chicago: Nat. Assoc. of Housing Officials. 1937. $3.)

Institute of Public Affairs: proceedings of the eleventh annual session, Athens, Georgia, 1936-1937. Part I. *World and national problems.* (Athens: Univ. of Georgia. 1937. Pp. x, 196. $1.50.)

Our cities: their rôle in the national economy. Report of the Urbanism Committee to the National Resources Committee. (Washington: Supt. Docs. 1937. Pp. xvi, 88. 50c.)

Chapters upon the urban community, its "way of life," trends toward urbanization, problems of urban life, and recommendations. The report was prepared for President Roosevelt, and is said to be "the first major study of cities in the United States."

Report on the British social services. (London: P. E. P. 1937. Pp. 210. 7s. 6d.)

Research memorandum on education in the depression. By the Educational Policies Commission. Bull. 28. (New York: Social Science Res. Council. 1937. Pp. xi, 173.)

Uniform crime reports for the United States and its possessions. Vol. VIII, no. 2. (Washington: Supt. Docs. 1937. Pp. 51-106.)

Insurance and Pensions

More Security for Old Age: A Factual Report, by MARGARET GRANT SCHNEIDER, and *A Program for Action,* by the COMMITTEE ON OLD-AGE SECURITY OF THE TWENTIETH CENTURY FUND. (New York: Twentieth Century Fund. 1937. Pp. xiii, 191. $1.75.)

The first half of this little book is devoted to an excellent analytical summary of the problems involved in old-age security and the various ways of meeting them that have been tried abroad and in the United States. In the more important second half of the book a committee composed of John B. Andrews, Grace Abbott, J. Frederic Dewhurst, Frank P. Graham, Helen Hall, M. Albert Linton, and I. M. Ornburn offers a series of suggestions for immediate modification of the Social Security act. The Committee deplores the dual character of the old-age security system now in effect and inclines to favor a "single comprehensive federally administered system" financed by progressive taxes; but it feels that the present plan cannot, as a matter of practical politics, be scrapped until it has been given a fair trial. Consequently the report confines itself to a series of gradualist rather than revolutionary reform proposals heading generally in the direction of a more

liberal and more extensive provision for old-age security within the framework of the present scheme.

Among the changes sponsored by the Committee the following are the most important:

(1) That the means test for an old-age pension be applied only to the applicant and his spouse, disregarding the possible capacity of relatives to support him; and that $15 a month income be exempted in determining eligibility.

(2) That no federal grant be made to any state unless the average pension granted is at least $12 a month, and that the federal grant be two-thirds of the sum needed to supply the $12 and one-half of the cost of pension increments above $12 up to a limit of $30. (While the aim here is to get the states to increase their grants it may be questioned whether this will be the actual result. Grace Abbott, in a dissenting comment, suggests that a more likely outcome is the reduction of many state grants to the $12 minimum.)

(3) That the scope of the contributory system be extended to include employees of charitable, religious and educational organizations, federal employees, state employees at the option of state governments, and "if the first year's experience [with the administration of the Act] indicates its feasibility," full-time domestic workers in private homes. The inclusion of agricultural workers is not advocated "for the present."

(4) That payments of benefits under the contributory system begin in 1939 instead of 1941 and that the minimum benefit be $20 instead of $10 as at present. This is described as a step in the direction of making the early and largely "unearned" benefits more nearly equal to the pensions available under the free-grant system. Another recommended step is to provide a supplementary benefit of $15 a month for wives of workers retiring under the contributory plan, enabling the family to avoid a means test without sacrificing too much income.

(5) That contributory pensions be financed on a current cost basis, except for a small contingency reserve. It is proposed that the 1 per cent tax rates on wages and on payrolls be continued until the cost of benefit payments exceeds the revenue from these taxes. Additional costs are then to be defrayed equally by an increased tax on wages, on payrolls (up to a maximum of 2 per cent each), and an appropriation out of general revenues.

Little comment is needed on these proposals since most of them have been advocated in principle by many students of the old-age problem. There may be some question as to whether the Committee has gone far enough in proposal 4 in its attempt to equalize the benefits payable in the early years of the system's operation with the amounts payable in pensions to those who can pass a means test; but it is difficult to be critical when the practical

possibility of getting the change through Congress is so large a factor in weighing its merits. On the much mooted issue of the reserve fund the Committee itself is not unanimous; but the plan which received majority support is a compromise that may well provide a practicable mode of retreat from the extreme commitment to reserve financing in the Act. It might have been well, however, to have included a few tables giving even very rough estimates of the increased costs under proposals 1-4 and of the rate of accumulation of the limited reserve fund (during the early years of operation) that is contemplated in proposal 5. On grounds of the general social desirability of its suggestions the Committee argues most cogently, and its excellent report will serve to make them a basis for wide discussion. But someone will have to make some concrete guesses as to how they will work out in actual practice, if they are to get far in the realm of practical politics.

J. L. Woodward

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NEW BOOKS

BEVERIDGE, W. *The unemployment insurance statutory committee.* Political pamph. no. 1. (London: London School of Econ. 1937. Pp. 55. 1s.)

EPSTEIN, A. *Social security.* (New York: League for Industrial Democracy. 1937. Pp. 38. 10c.)

MOWBRAY, A. M. *Insurance: its theory and practice in the United States.* 2nd ed. (New York: McGraw-Hill. 1937. Pp. 656. $4.)

SIEGEL, M. H. *The double-headed coin: "you must die . . . to win."* (New York: Author, 36 W. 44th St. 1937. Pp. 55.)

WILSON, A. and LEVY, H. *Industrial assurance: an historical and critical study.* (London: Oxford Univ. Press. 1937. Pp. xxxiii, 519. 21s.)

The evaluation of permanent incapacity for work in social insurance. Stud. and rep., ser. M (social insur.), no. 14. (Geneva: Internat. Labour Office. Washington: Internat. Labour Office. 1937. Pp. xvi, 375. $2.75.)

Federal old-age benefits under Title II of the Social Security act. (Washington: Supt. Docs. 1937. Pp. vii, 33. 10c.)

Labour's pension plan for old age, widows and children. (London: National Council of Labour. 1937. Pp. 32. 2d.)

National Board of Fire Underwriters: proceedings of the seventy-first annual meeting, May 27, 1937. (New York: Nat. Board of Fire Underwriters. 1937. Pp. 168.)

Social security in America: the factual background of the Social Security act as summarized from staff reports to the Committee on Economic Security. Social Security Board pub. no. 20. (Washington: Supt. Docs. 1937. Pp. xix, 592. 75c.)

The book is divided into sections dealing with the different forms of security provided in the federal Act. Each section summarizes pre-1935 history in America, the recommendations made by the Committee on Economic Security, and the legislation finally enacted. There are also summaries of some of the foreign systems of security.

Probably the most valuable portion of the book is the section on unemployment compensation, since it includes a detailed account of the methods

used by the Committee in setting up an actuarial basis for the system. There is also a good chapter on the need for federal support of social security programs and one on the history of the United States employment service. The whole volume may be regarded as a sort of handbook on social security, useful for ready reference purposes rather than because (with the exceptions above noted) of the new material it contains.

J. L. Woodward

Why social security? Pub. no. 15. (Washington: Social Security Board. Pp. 32.)

Pauperism, Charities, and Relief Measures

NEW BOOKS

Carothers, D. *Chronology of the Federal Emergency Relief Administration, May 12, 1933, to December 31, 1935.* Res. monog. vi. (Washington: Supt. Docs. 1937. Pp. viii, 163.)

Link, I. *Relief and rehabilitation in the drought area.* Ser. v, no. 3. (Washington: Works Progress Admin. 1937. Pp. vi, 57.)

Norton, T. L. *Old age and the Social Security act of 1935.* (Buffalo: Univ. of Buffalo School of Bus. Admin. 1937. Pp. 116. $1.)

This monograph is a study of those portions of the Social Security act of 1935 that are concerned with the old-age provisions. After a review of the background of the old-age provisions, Professor Norton then examines the coverage under the contributory plan, the tax provisions of the contributory plan, the contributory old-age reserve account, the non-contributory old-age assistance, and concludes with pertinent comments on the road ahead. The presence in the 1935 Act of two distinct plans—one a contributory-insurance plan and the other a non-contributory species of poor relief—is repeatedly called to the reader's attention. A short but excellent bibliography of selected references is appended. The analysis presented is clear and thorough; the reader will obtain an excellent perspective of the whole problem of old-age security. The brief discussion of the incidence of the payroll tax upon employers deserves special notice, for Professor Norton rightly points out the complexity of this problem. This reviewer has been much perplexed by the rather cavalier manner in which many economists have analyzed this important theoretical question. Professor Plehn once compared a tax to a piece of shoemaker's wax, some of which sticks to everyone who touches it. Professor Norton, while failing to give his solution, points out the complexities to be encountered, such as the variation in the shift in burden in the long and short period, the diverse elasticities of demand, the imperfection of competition, the possible displacement of labor by labor-saving machinery, and the differences in the costs of production. There is room for a thoroughgoing study of the incidence of the payroll tax with respect to the employer, employee, the consuming public, and various income groups within that consuming public.

Professor Norton's suggestions for amending the 1935 Act lean heavily upon the recommendations of the President's Committee on Economic Security. He is especially strong in his criticism of the reserve system and advocates a flexible direct current cost (pay-as-you-go) plan with a provision for a small contingent reserve to take care of those periods, such as depressions, in which tax revenues tend to decline.

William W. Hewett

WATSON, J. P. *Economic backgrounds of the relief problem.* (Pittsburgh: Univ. of Pittsburgh. 1937. Pp. xiii, 144.)

WHITE, R. C. and WHITE, M. K. *Research memorandum on social aspects of relief policies in the depression.* Bull. 38. (New York: Social Science Res. Council. 1937. Pp. xi, 173.)

Current statistics of relief in rural and town areas for April-May, 1937, and for the years 1932-1936. Vol. 2, no. 5. (Washington: Works Progress Admin. 1937. Pp. 11.)

Unemployment Assistance Board: report for the year ended 31st December 1936. (London: H. M. Stationery Office. 1937. Pp. iv, 202. 95c.)

Describes the organization and regulations of the Board. There are chapters on training and industrial transference, and reports from regional officers.

Socialism and Coöperative Enterprises

NEW BOOKS

BITTELMAN, A. *Milestones in the history of the Communist Party.* (New York: Workers Lib. Pubs. 1937. Pp. 92. 10c.)

BRAINERD, J. G. *Consumers' coöperation.* (Philadelphia: Am. Acad. of Pol. and Soc. Sci. 1937. Pp. 292. $2.)

BROWDER, E. *The communists in the People's Front.* (New York: Workers Lib. Pubs. 1937. Pp. 126. 10c.)

CHAMBERLIN, W. H. *Collectivism: a false Utopia.* (New York: Macmillan. 1937. Pp. vi, 265.)

CROFT, H. *New socialist millions.* Great campaign pamph. no. 1. (London: The Labour Party. 1937. Pp. 16. 1d.)

CURRAN, E. L. *Facts about communism.* (Brooklyn: Internat. Catholic Truth Soc. 1937. Pp. 208. 25c.)

LAIDLER, H. W. and CAMPBELL, W. J. *Consumers' coöperation—a social interpretation. The consumers' coöperative movement: a factual survey.* (New York: League for Industrial Democracy. 1937. Pp. 64. 15c.)

O'BRIEN, T. H. *British experiments in public ownership and control.* (London: Allen and Unwin. 1937. Pp. 304. 10s. 6d.)

ROBSON, W. A., editor. *Public enterprise: developments in social ownership and control in Great Britain.* (Chicago: Univ. of Chicago Press. 1937. Pp. 416. $3.)

Nine authors collaborate in presenting descriptions of the "Public Service Board," by which England is carrying on socialized administration or guidance of a variety of enterprises or industries. It is a welcome antidote to the English-born flood of generalized discussions of national planning, *isms* of all kinds, and the horrible alternatives which the democracies must face. The reader will learn that inch-by-inch socialization of industrial control is what may really be expected on both sides of the Atlantic. He will find also ammunition to combat the common criticisms of socialism on its administrative side.

But he will at the same time be disturbed over the vulnerability of such a network of semi-autonomous public boards (the Port of London Authority, London Transport Board, *et al.*) to a seizure of power by a dictator or a dictator-party. Mechanisms of social control are being effectively fashioned, but they are hardly designed to strengthen the democratic state at its roots.

The best-written article in the group is that by an American, Lincoln Gordon, on the Port of London Authority. This American reviewer certainly pre-

fers the American "prostitution" of radio facilities to commercial interests after reading Editor Robson's description of the organization and workings of the British Broadcasting Corporation. The same editor's comments in the summary article, on the unwisdom of high salaries to executive heads of the group of important boards described in the book, are astonishingly naïve. Mr. Graeme Haldane's analysis of the Central Electricity Board fails to point out the compelling reason for its creation: that local municipal electrical authorities had been unable or unwilling to carry forward electrical development on any nation-wide basis prior to 1926. Public enterprise on the local scale, rather than private concerns, had to be chastised. Of the remaining articles, Mr. Ernest Davies' on the London Passenger Transport Board is most informative.

SHAW LIVERMORE

Consumers' coöperatives: statutes and decisions to January 1, 1937. (Washington: Labor Dept., Consumers' Project. 1937. Pp. 219.)

Coöperative bookshelf: a bibliography of government publications on consumers' coöperation. (Washington: Agric. Adjustment Admin. 1937. Pp. 13. 5c.)

Statistics and Its Methods

NEW BOOKS

CROXTON, F. E. *Workbook in applied general statistics.* (New York: Prentice-Hall. 1937. Pp. vii, 211. $1.95.)

DAVIS, H. T. and NELSON, W. F. C. *Elements of statistics, with application to economic data.* 2nd ed. (Bloomington: Principia Press. 1937. Pp. xii, 434. $4.)

HART, A. G. *How the national income is divided.* Pub. policy pamph. no. 23. (Chicago: Univ. of Chicago Press. 1937. Pp. iii, 27. 25c.)

KING, G. *Two tracts. Natural and political observations and conclusions upon the state and condition of England; Of the naval trade of England anno 1588 and the national profit then arising thereby.* Edited by GEORGE E. BARNETT. (Baltimore: Johns Hopkins Press. 1936. Pp. 76. $1.50.)

Although these tracts were never published by King, the materials were extensively used by Davenant during King's lifetime. The first essay was subsequently printed in full by George Chalmers in an appendix to the *Estimate of the Comparative Strength of Great Britain.* The second tract has never been printed before.

The work of King contributed less than the work of Graunt and Petty to the history of statistical theory, but these tracts of King developed interests which were instrumental in the development of statistical records. Customs and excise records had long been kept. After the Restoration, general totals were drawn off at times. The records, however, were organized exclusively for the administrative convenience of the officials concerned. King demonstrated the significance of these records for judgments of the merits of general policy. Davenant was able to enlist interests which secured the appointment of an Inspector General of Customs, and later became Inspector General himself. The Ledger of the Inspector General was modelled upon the suggestions of King. We are today keenly conscious of the shortcomings of the classification; but we must remember that this attempt marked a new step forward in the development of statistical records of economic activity. King's essays thus possess an unusual measure of historical interest. This new critical edition will be of great value to all students.

A. P. U.

KOOPMANS, T. *Linear regression analysis of economic time series.* No. 20. (Haarlem: Netherlands Econ. Inst. 1937. Pp. xii, 150. F.3.)

MONTGOMERY, J. K. *The mathematical problem of the price index.* (London: P. S. King. 1937. Pp. 74. 6s.)

SLAUGHTER, J. A. *Income received in the various states, 1929-1935.* (New York: Nat. Industrial Conf. Board. 1937. Pp. xv, 167. $3.50.)

TURNER, J. *Sources of current trade statistics.* Market res. ser. no. 13. (Washington: U. S. Dept. of Commerce, Bur. of For. and Dom. Commerce. 1937. Pp. vii, 47. 25c.)

Measurement of cost of living in Toledo. Bull. 7. (Toledo: Univ. of Toledo Bur. of Bus. Res. 1937. Pp. 16.)

National income in the United States, 1929-35. (Washington: Supt. Docs. 1936. Pp. xii, 304. 25c.)

Little need be said in the way of review about the main body of this valuable report. It is available to all for 25 cents so there appears to be little excuse for reciting any of its 226 tables and 300 pages of statistical script, which present income estimates for the nation as a whole and by industries. The latter takes up about three-quarters of the entire report.

The general procedure is that previously employed. Income "paid out" is divided into (1) labor income (2) interest and dividends paid to individuals (3) entrepreneurial withdrawals (4) net rents and royalties. Income "produced" includes all these plus business savings (which were negative from 1930 through 1935). Especial notice should be taken of omitted accounts, for they are probably responsible for greater errors than any occasional blunders in the Bureau's technique. Unpriced services, such as those of housewives, are necessarily excluded, though they may have been of great importance during a depression period such as the one this report covers. Services directly received by consumers from ownership of durable goods—houses, automobiles, etc.—are also impossible to measure with any accuracy. Odd-job earnings must be omitted and charity receipts are properly excluded. New Deal work relief brings up the unpleasant question: are such payments charitable or otherwise? The report shows them separately, so the reader may decide whether or not they belong to income produced. Changes in asset values are excluded in order to forestall possible duplications, as such changes are often occasioned by fluctuations in income. "Anti-social" earnings are omitted on the sound ground that it is difficult to measure them and on the additional doubtful premise that they are outside the law. The bootlegger, accordingly, finds no place in the tabulation whereas the contemporary liquor dealer does. This is, as the authors suggest, somewhat anomalous from an economic point of view, but the alternative of estimating illicit incomes from very little or no data (see, for example, Doane *The Measurement of American Wealth,* Harper, 1933, p. 106) is probably less defensible.

H. A. FREEMAN

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The federal Department of Commerce has published a list of its publications, July, 1937 (pp. 142).

In the Domestic Commerce Series of the federal Department of Commerce has appeared No. 98, *Retail Credit Survey, 1936,* by H. T. LaCrosse (pp. 88, 10c.).

In the Trade Promotion Series of the federal Department of Commerce have appeared No. 168, *Leather Footwear: World Production and International Trade,* by J. G. Schnitzer (pp. 181, 20c.); No. 169, *World Chemical Developments in 1936,* by C. C. Concannon and A. H. Swift (pp. 239, 30c); No. 170, *Trading under the Laws of Venezuela,* by H. P. Crawford (pp. 101, 15c.).

The same Department has issued *The Balance of International Payments of the United States in 1936* (pp. 95, 15c.).

The Department of Commerce has also published two new volumes in the Market Research Series, No. 5.11 and 5.12, entitled *Consumer Use of Selected Goods and Services, by Income Classes.* This completes the series and marketing information is now made available on the basis of representative random samplings of family population in fifty different cities embracing a total of approximately 220,000 families. The samples constitute approximately 12.6 per cent of the total population. (Pp. 122; 123; 25c., each vol.)

The United States Tariff Commission has continued its publication of *Imports into the United States for Consumption by Countries.* New issues cover the calendar year 1929 (vols. 1-4), and the calendar year 1936 (vols. 1-4).

The Tariff Commission has also issued *Computed Duties and Equivalent ad Valorem Rates on Imports into the United States from Principal Countries, Calendar Years 1929, 1931, and 1935,* a part of W.P.A. Statistical Project 265-31-7000, located at Richmond, Virginia (pp. 192).

The United States Tariff Commission Report No. 114, second series, is a monograph on *Chemical Nitrogen: A Survey of Processes, Organization, and International Trade, Stressing Factors Essential to Tariff Consideration* (pp. 300, 25c.)

The Hearing before a Senate Subcommittee of the Committee on the Judiciary on *Resale Price Maintenance,* held March 4, 1937, has been published (pp. 56).

Also the Hearings before a Senate Subcommittee of the Committee on the Judiciary on *Federal Licensing of Corporations,* Parts 1-3 (pp. 350).

The Department of Commerce has just issued *A Summary of National Income, 1929-36,* by R. R. Nathan (pp. 32, 10c.).

The Department of Agriculture has prepared Budget and Finance Circular No. 59, which contains a digest of the legislation enacted by the first session of the 75th Congress which would be of interest to students of agriculture (pp. 81).

The Department of Agriculture has also issued a survey of *Farm Mortgage Indebtedness in the United States (Detailed Summary)* (August, 1937, pp. 12).

The congressional hearings relating to the Agricultural Adjustment act of 1937, held May 18–June 11, 1937, have been printed (Washington, 1937, pp. 139).

Labor

The Bureau of Labor Statistics of the federal Department of Labor has issued Bulletin No. 631, *Union Scales of Wages and Hours in the Printing Trades, May 15, 1936,* by Florence Peterson and C. F. Rauth (pp. 44, 10c.) ; No. 633, *Wages, Hours, and Working Conditions in the Set-Up Paper-Box Industry, 1933, 1934, and 1935* (pp. 123, 15c.).

The Division of Labor Standards of the federal Department of Labor has published Bulletin No. 11, a study of *British Factory Inspection: A Century of Progress in Administration of Labor Laws,* by J. B. Andrews (pp. 56, 10c.).

The Women's Bureau of the Department of Labor has issued Bulletin No. 149, *Employment of Women in Tennessee Industries,* by Ethel Erickson (pp. 63, 10c.) ; No. 150, *Women's Employment in West Virginia,* by H. A. Byrne (pp. 27, 10c.).

The Children's Bureau of the Department of Labor has issued Publication No. 237, *Trends in Different Types of Public and Private Relief in Urban Areas, 1929-35,* by Emma A. Winslow (pp. 143, 15c.).

The decisions of the National Labor Relations Board are being printed and may be obtained through the Government Printing Office, Washington.

Various congressional hearings dealing with labor have been published. Among these to be noted are:

Hearings before the Senate Committee on Interstate Commerce, held May 12-20, 1937, *To Regulate the Products of Child Labor* (pp. 192).

Hearings before the House Subcommittee of the Committee on Labor, *To Regulate the Textile Industry,* Parts 1-9, (pp. 573).

Joint Hearings before the Senate Committee on Education and Labor and the House Committee on Labor on *Fair Labor Standards Act of 1937,* Parts 1-3 (pp. 1222).

Hearing before the House Committee on Merchant Marine and Fisheries, May 25-28, 1937, on *Maritime Labor Bill* (pp. 205).

Hearings before a Senate Subcommittee of the Committee on Education and Labor on *Violations of Free Speech and Rights of Labor,* Parts 1-10 (pp. 3807). These deal with labor espionage and strikebreaking, more particularly at the Chrysler Corporation, Pinkerton's National Detective Agency, General Motors Corporation, American Bridge Company, Burns International Detective Agency, and the distributors in Harlan County.

Elmer A. Lewis, superintendent of the document room of the House of Representatives, has made a *Compilation of Laws relating to Mediation, Conciliation, and Arbitration between Employers and Employees, Laws Disputes between Carriers and Employers and Subordinate Officials under Labor Board, Eight-Hour Laws, Employers' Liability Laws, Labor and Child Labor Laws* (pp. 297, 20c.).

Taxation

The Hearings on Tax Evasion and Avoidance before the Joint Committee on Tax Evasion and Avoidance, 75th Congress 1st Session, held in July, 1937, have been printed in four parts (pp. 440).

NOTES

The fiftieth annual meeting of the AMERICAN ECONOMIC ASSOCIATION will be held in Atlantic City, New Jersey, December 28-30, with headquarters at the Chalfonte Hotel and Haddon Hall. The preliminary program has been arranged as follows:

Tuesday, December 28

2:30 P.M. FIRST SESSION

Significance of Marxian Economics—chairman, Emil Lederer, New School for Social Research

Papers: Wassily Leontief, Harvard University, "The Significance of Marxian Economics for Present-Day Economic Theory"; Leo Rogin, University of California, "The Significance of Marxian Economics for Current Trends of Government Policy"

Discussion: Frank H. Knight, University of Chicago; John Ise, University of Kansas; Joseph J. Spengler, Duke University

5:00 P.M. MEETING OF THE EXECUTIVE COMMITTEE

8:00 P.M. PRESIDENTIAL ADDRESSES (joint meeting with the American Statistical Association)—chairman, Edmund E. Day, Rockefeller Foundation: Oliver M. W. Sprague, Harvard University, president of the American Economic Association; W. Randolph Burgess, Federal Reserve Bank of New York, president of the American Statistical Association

Wednesday, December 29

9:00 A.M. BUSINESS MEETING (Reports of Officers and Committees, etc.)

10:00 A.M. SECOND SESSION (joint meeting with the American Statistical Association)

The Influence of Various Factors upon Fluctuations of Investment—chairman, Sumner H. Slichter, Harvard University

Papers: Richard M. Bissell, Jr., Yale University, "The Rate of Interest"; Kemper Simpson, "Security Markets and the Investment Process"; Corwin D. Edwards, Federal Trade Commission, "Corporate Price Policies"

2:30 P.M. ROUND TABLE SESSIONS (joint sessions with the American Statistical Association)

1. General Interest Theory—chairman, Bernard F. Haley, Stanford University
   Discussion: Paul T. Ellsworth, University of Cincinnati; Arthur W. Marget, University of Minnesota; Max F. Millikan, Yale University; Walter A. Morton, University of Wisconsin
2. Rate of Interest—chairman, Winfield W. Riefler, Princeton University
   Discussion: John B. Canning, Stanford University; J. Franklin Ebersole, Harvard University; Harry White, United States Treasury Department; Fred R. Macaulay, National Bureau of Economic Research
3. Security Regulation—chairman, Ray B. Westerfield, Yale University
   Discussion: Karl R. Bopp, University of Missouri; Fritz Machlup, University of Buffalo; R. W. Goldschmidt, Securities and Exchange Commission; Carl E. Parry, Federal Reserve Board
4. Corporate Price Policies—chairman, Frederic B. Garver, University of Minnesota
   Discussion: Gustav Seidler, National Resources Committee; John Cassels, Harvard University; Frank M. Boddy, University of Minnesota; Rufus S. Tucker, General Motors Corporation
5. Capital Gains and Losses, Treatment in Income Taxation, etc.

Discussion: Roy Blough, University of Cincinnati; William M. Hewett, University of Cincinnati

9:00 P.M. SMOKER

Thursday, December 30

9:00 A.M. BUSINESS MEETING

10:00 A.M. THIRD SESSION (joint meeting with the American Statistical Association)

The Influence of Various Factors upon Fluctuations of Investment—chairman, Joseph S. Davis, Stanford University

Papers: Arthur D. Gayer, Columbia University, "Fiscal Policies"; Albert G. Hart, University of Chicago, "Rate of Consumption"; Leo Wolman, Columbia University, "Wage Rates"

12:00 M. MEETING OF THE EXECUTIVE COMMITTEE

2:30 P.M. ROUND TABLE SESSIONS (joint sessions with the American Statistical Association)

1. Fiscal Policies—chairman, Robert M. Haig, Columbia University
   Discussion: Alfred G. Buehler, University of Vermont; Arthur R. Upgren, University of Minnesota; Carl Shoup, Columbia University; Melchior Palyi, University of Chicago
2. Social Security Program (joint session with the American Association for Labor Legislation)—chairman, William A. Berridge, Metropolitan Life Insurance Company
   Discussion: Seymour E. Harris, Harvard University; H. V. Roelse, New York Federal Reserve Bank; Otto Nathan, New York University
3. Rate of Consumption—chairman, Simon Kuznets, National Bureau of Economic Research
   Discussion: Herbert D. Simpson, Northwestern University; George Halm, Tufts College; Walter Egle, Ohio State University; Alan R. Sweezy, Harvard University
4. Durable Consumers' Goods—chairman, Calvin Hoover, Duke University
   Discussion: Albert Haring, Lehigh University; Norman J. Silberling, Stanford University; G. Coleman Woodbury, National Association of Housing Officials; F. Leslie Hayford, General Motors Corporation
5. Wage Policies (joint session with the American Association for Labor Legislation)—chairman, Frank D. Graham, Princeton University
   Discussion: Paul Sweezy, Harvard University; Carroll R. Daugherty, University of Pittsburgh; Lorie Tarshis, Tufts College.
6. Price Changes and National Income
   Discussion: Gottfried Haberler, Harvard University

The following names have been added to the membership of the AMERICAN ECONOMIC ASSOCIATION since August 1:

Bent, J. G., Jr., Mackubin, Legg and Co., Redwood and South Sts., Baltimore, Md.
Brown, E. C., 2618 Durant Ave., Berkeley, Calif.
Clemens, R., Jr., 42-05 Layton St., Elmhurst, L.I., N.Y.
Corstvet, E., 410 Riverside Dr., New York City.
Fryxell, C. A., Augustana College, Rock Island, Ill.
Gruchy, A. G., Univ. of Maryland, Dept. of Econ., College Park, Md.
Haines, C. E., 414 W. 13th St., Pueblo, Colo.
Keller, W. W., Armstrong College, Berkeley, Calif.
Ketchum, M. D., Utah State Agricultural College, Box No. 6, Logan, Utah.
Kranold, H., Falladega College, Falladega, Ala.
Manhart, L. F., Bowling Green State University, Bowling Green, Ohio.

Miller, E. T., Jr., 617 Wilson Dr., Albion, Mich.
Nichol, A. J., University of California, Berkeley, Calif.
O'Donnell, A. F., 4000 Cathedral Ave. N.W., Washington, D.C.
Ohlin, B., Handelshogskolan, Stockholm, Sweden.
Parrish, J. B., 319 Commerce, University of Illinois, Urbana, Ill.
Phillips, S. A., 490 Sheridan Rd., Evanston, Ill.
Powers, C. M., 315 Hackberry Ave., Modesto, Calif.
Radice, E. A., Wesleyan University, Middletown, Conn.
Rapp, R. E., Dept. of Economics, University of Texas, Austin, Tex.
Schwarz, L. T., Seton Hill College, Greensburg, Pa.
Scott, H. W., 300 E. 2nd St., Newton, Kan.
Smith, E. A., 135 E. 11th Pl., Chicago, Ill.
Sutton, G. W., School of Commerce, University of Georgia, Athens, Ga.

The Social Science Research Council offers research training fellowships and grants-in-aid of research in the social sciences for 1938-39. Those interested should send for the circular which may be obtained from the secretary, John E. Pomfret, 230 Park Avenue, New York City. The closing date for the receipt of applications is February 1, 1938.

The department of the social sciences at Yale University, formerly including economics, sociology, government, and anthropology, has been broken up into component parts, resulting in a new department of economics with Professor Fred R. Fairchild as chairman.

New York University has established a new department of public utilities and transportation, under the chairmanship of Professor Herbert B. Dorau.

The University of Pennsylvania has established the Institute of Local and State Government, with Associate Professor Stephen B. Sweeney of the Wharton School as acting director.

The fourth annual Conference on Business and Government in New Mexico will be held at the University of New Mexico, December 3-4, 1937. Professor Vernon G. Sorrell of the department of economics and business administration of the University of New Mexico will be in charge of arrangements.

The University of North Carolina, in coöperation with the North Carolina Bankers Association and the State Banking Department, held the first state conference for bankers during the week of July 12-16, at Chapel Hill. John B. Woosley of the University of North Carolina, E. A. Kincaid of the University of Virginia, and Laurence L. Lunden of the University of Minnesota, participated in the program.

The Eighth International Congress of Historical Sciences will be held in Zurich, Switzerland, August 28-September 4, 1938. Among the 14 sections are those dealing with economic and social history. Dr. George Hoffmann, Susenbergstrasse 145, Zurich 7, Switzerland, is secretary. The membership fee is 25 Swiss francs; but members of the families of participants as well as undergraduates may enjoy a reduced fee of 12 Swiss francs.

Students of English economic and political thought will welcome with gratitude the *Catalogue of the Manuscripts of Jeremy Bentham in University College, London,* which A. Taylor Milne has compiled with scholarly care. Little more than the existence of the vast body of manuscript materials bequeathed by Bentham to Bowring and by him presented to University College was known to scholars down to 1892. They remained "undisturbed, and indeed practically unexamined, in the

cellars below the main buildings of the College." Now and then some stout soul may have braved the jungle, as did at least one venturesome spirit a few years later, only to retreat from the fearsome beasts of dust, disorder, and—Bentham's handwriting! In 1892 began the long hard drudgery of bringing system out of confusion. The work has gone on since then, not without interruption and handicap, to the end of definitive completion. It is fine to learn that the labors, graciously acknowledged, of an American student of Bentham, Charles Warren Everett of Columbia University, have been helpful. The net result is that a vast hodge-podge of source material has been reboxed in 173 dustproof boxes; within the boxes the papers have been arranged in folders, "according to the subject, and as nearly as possible in chronological order"; in each folder sheets have been stamped and numbered. Finally, in the brochure here noticed, the contents of each box are catalogued and a detailed index of matter and place added. This *is* service!

JACOB H. HOLLANDER

The American Library Association (Chicago, Illinois) has issued a second supplement to the *Guide to the Official Publications of the New Deal Administrations* (mimeographed and printed, pp. 190, $1.75). This supplement covers the period from December 1, 1935, to January 1, 1937, and is compiled by Jerome K. Wilcox of Duke University Library.

The National Resources Committee (Washington, D.C.) has prepared a *Bibliography of Reports by State and Regional Planning Organizations.* This is supplementary to *State Planning Programs and Accomplishments,* issued in December, 1936.

The Royal Historical Society, 96 Cheyne Walk, Chelsea, London, S.W.10, announces a new series of volumes. The aim of the series is to provide an annual bibliography of writings on English history. The first volume deals with *Writings on British History, 1934,* compiled by Alexander Taylor Milne (pp. 427, 12s. 6d., published by Jonathan Cape).

Announcement is made by Ohio State University of the Elizabeth Clay Howald Scholarship, carrying a stipend of $3,000 per annum. Applications must be filed with the dean of the Graduate School, Ohio State University, before March 1, 1938.

Harry Edward Miller, professor of political economy at Brown University, died November 13, 1937.

Appointments and Resignations

Harry K. Allen resigned his position as supervisor of research in the Land Use Planning Section of the Resettlement Administration to become assistant professor in economics at the University of Illinois.

John E. Allen of the University of Virginia has been appointed assistant professor of economics at Emory and Henry College.

C. M. Anderson, formerly instructor in the University of North Carolina, has joined the staff at the University of Florida.

E. H. Anderson has been appointed instructor of economics at the University of North Carolina.

Ira D. Anderson, formerly assistant chief of retail trade of the federal Bureau of the Census, has been appointed assistant professor of marketing at Northwestern University School of Commerce.

A. E. Andress is instructor of economics at Princeton University.

Karl E. Ashburn, formerly of Southern Methodist University, is professor of economics at Texas Technological College, Lubbock, Texas.

Lillie L. Atkinson is a statistician with the Bureau of Business Research at the University of Alabama.

Marvin Bacon has been granted a leave of absence from the department of economics at Vanderbilt University for the current academic year to complete his work for the doctorate at Michigan.

Robert B. Banks of Tufts College is instructor of economics at Brown University.

Paul Barnett of the University of Chicago has been appointed associate professor of statistics at the University of Tennessee.

Burnham P. Beckwith, for the past two years a research assistant at Columbia University, is instructor of economics at Queen's College, New York City.

George E. Bigge, associate professor and chairman of the department of economics at Brown University, was appointed in August to membership on the Social Security Board.

Leo G. Blackstock, associate professor of business administration at the University of Texas, has been granted a leave of absence to serve as examiner in the Gas and Utilities Division of the Texas Railroad Commission.

Roy G. Blakey, who has been chief of the Division of Economic Research of the Bureau of Foreign and Domestic Commerce, United States Department of Commerce, for the past two years, has returned to take up his duties in the School of Business Administration at the University of Minnesota.

Ralph H. Blodgett, formerly assistant professor of economics in the Wharton School of the University of Pennsylvania, has accepted a similar position in the department of economics at the University of Illinois.

Karl Bode, formerly research assistant at Cambridge University, England, has been appointed lecturer in economics at Stanford University.

Gladys Boone, associate professor of economics at Sweet Briar College, supervised a research study of household employment in Lynchburg, Virginia, during the past year. Miss Boone spent the summer in Europe studying coöperatives.

Chelcie C. Bosland has been appointed acting chairman of the department of economics at Brown University during the absence of Professor Bigge.

J. R. Bowen is instructor in economics at the University of Alabama.

Harry G. Brainard has resigned as assistant professor of economics at The Citadel, Charleston, South Carolina, to accept a position as associate professor and head of the department of economics at Southern Illinois State Normal University.

Maurice R. Brewster, assistant professor of marketing at Emory University, has resigned to return to Georgia School of Technology.

Henry Brodie is an assistant in the department of economics at the School of Commerce, Accounts, and Finance of New York University.

C. K. Brown of Davidson College taught in the summer session at the University of North Carolina.

George T. Brown, formerly of Seton Hill College, has joined the staff of the department of economics of Catholic University.

Pembroke H. Brown has been promoted from assistant professor to associate professor at the University of Illinois.

Malcolm H. Bryan, associate professor of economics in the School of Commerce, University of Georgia, has been promoted to a full professorship. Professor Bryan is at present on leave and is a senior economist on the Federal Reserve Board.

Robert F. Bryan is instructor in economics at Yale University.

Norman S. Buck of Yale University will be absent on sabbatical leave during the second half of the present academic year.

F. H. Bunting is instructor in economics at the University of North Carolina.

O. E. Burley has been promoted to the rank of assistant professor of marketing at Ohio State University.

James C. Carney of Duke University is instructor in economics at the University of Illinois.

Lester V. Chandler has been appointed assistant professor of economics at Amherst College.

M. G. de Chazeau, for some months past a member of the research staff of the United States Treasury Department, has returned to his teaching at the University of Virginia.

F. W. Clower, associate professor of economics at the State College of Washington, assisted in the organization of and selection of personnel for the Department of Social Security of the State of Washington during the past summer.

Ben Cogburn, who has been on leave, has returned to the University of Florida as assistant professor of accounting.

Clem W. Collins, dean of the School of Commerce of the University of Denver, was elected president of the American Institute of Accountants at the annual meeting, held in October in New York City.

Gilbert W. Cooke has transferred from assistant professor of finance at the University of North Dakota to assistant professor of business administration at Bowling Green State University, Ohio.

Lyle Cooper, formerly professor of economics at Marquette University, became technical adviser in the Bureau of Unemployment Compensation, Social Security Board, in February, 1937, was on leave from the Board to work with the Wisconsin Labor Relations Board from May 15 to July 1, 1937, and beginning in July has been associate economist with the National Labor Relations Board.

D. J. Cowden, who has been acting associate professor of economics at the University of North Carolina, has been appointed associate professor.

Franklin Lanier Cox has been appointed assistant professor of business administration in the University of Texas.

John B. Crane, formerly instructor in economics and tutor in the division of history, government and economics at Harvard University, is now assistant professor of economics at Northwestern University.

W. L. Crum returned to full duty at Harvard University after a half-year's leave of absence for work in the Treasury Department.

Ross M. Cunningham, associate professor of marketing at the University of Tennessee, has resigned to accept a position as assistant professor of marketing at Massachusetts Institute of Technology.

James F. Cusick has been promoted to the rank of assistant professor of economics at Dartmouth College.

Vanderveer Custis of Northwestern University has been advanced to the rank of professor of economics.

Kenneth Dameron of Ohio State University gave courses in marketing at the University of Florida during the autumn quarter, 1937.

Clarence H. Danhof has resigned as graduate assistant at the University of Michigan to accept a position as instructor in economics at Lehigh University.

Robert G. Deupree has been appointed instructor in political economy at Johns Hopkins University.

Elwood Dille of the graduate school of Ohio State University joined the staff of the Arizona State Teachers' College, Tempe, Arizona, to inaugurate courses in marketing and merchandising.

C. H. Donovan is instructor in economics at the University of North Carolina.

H. M. Douty has resigned his instructorship at the University of North Carolina to accept a position as assistant professor of economics at the Woman's College of the University of North Carolina.

Leonard Doyle has been appointed to an instructorship in economics at Ohio State University.

Delbert J. Duncan of Northwestern University School of Commerce has been advanced to the rank of professor of marketing. He is on leave of absence during 1937-38, offering instruction at the Harvard University Graduate School of Business Administration.

Julian S. Duncan, associate professor of political science at St. John's College, has joined the faculty of Babson Institute.

J. Franklin Ebersole of the Harvard University Graduate School of Business Administration gave a course in bank administration during the summer session at the Stanford University Graduate School of Business.

E. W. Eckard, formerly instructor at Duke University, has accepted a position in the economics department of the University of Delaware.

J. Carlyle Ellett of the University of Virginia has been appointed assistant professor of applied economics at the University of Richmond.

Ernest J. Engquist, Jr., has transferred from the position of associate statistician at the Farm Credit Administration to the position of associate agricultural economist in the Division of Agricultural Finance, Bureau of Agricultural Economics, United States Department of Agriculture.

J. G. Evans, who has been on leave with the Resettlement Administration, has returned to the University of North Carolina as associate professor of economics.

T. N. Farris has been promoted from associate to professor of economics at Louisiana State University.

Lloyd Faust has been appointed assistant instructor in economics at the University of Kansas.

W. T. Ferrier has joined the staff of Clemson Agricultural College as associate agricultural economist.

F. J. Foster is an instructor in commerce at the University of Alabama.

Leslie T. Fournier resigned his position at Princeton University to accept an appointment as supervising utilities analyst with the Securities and Exchange Commission.

Edwin Frickey, assistant professor at Harvard University, is on sabbatical leave for the first half of the present year.

J. K. Galbraith, instructor in economics and tutor in the division of history, government and economics at Harvard University, is on a year's leave of absence as a Social Science Research Council fellow.

Morris E. Garnsey, formerly of Harvard University, has been appointed assistant professor of economics at the University of Colorado.

E. A. Gee of the accounting department at Michigan State College has been granted a leave of absence during the current year.

John H. Goff, economist in the transportation economics division of the TVA, resumes his professorship at Alabama Polytechnic Institute.

Richard J. Gonzalez, assistant professor in the department of economics, University of Texas, has been granted a leave of absence for the academic year 1937-38.

Everett W. Goodhue has returned to Dartmouth College after a semester's leave.

Paul M. Green, who has been with the Federal Housing Administration in Washington since December, 1934, as a research accountant, resigned this position to accept an assistant professorship at the University of Illinois.

John I. Griffin has been appointed tutor in economics at Brooklyn College.

Reuben V. Gunn has been appointed one of the two temporary heads of the department of economics at Michigan State College during the absence of Dr. Harald S. Patton.

Paul Haensel of Northwestern University has returned from an eight-months' lecture tour in Europe. He gave lectures in Berlin, Prague, Budapest, Szeged, Graz, Pavia, Basle, Heidelberg, Frankfurt, and Amsterdam. He also attended the International Congress of Economists in Paris, and was elected vice-president of the financial section of the Congress.

Ernest H. Hahne of Northwestern University has been advanced to the rank of professor of economics.

Glover D. Hancock of Washington and Lee University was elected president of the Virginia Social Science Association for the current year.

Alvin H. Hansen, formerly of the University of Minnesota, is now Lucius N. Littauer professor of political economy in the Harvard University Graduate School of Public Administration.

Gilbert Harold has resigned his instructorship at Ohio State University to become an associate professor of economics at the University of Oklahoma.

Ralph G. Harshman of Ohio State University has been appointed dean of the newly organized College of Commerce at Bowling Green State University.

Joseph F. Hauch of Rutgers University is an instructor in agricultural economics at Massachusetts State College.

R. D. Haun, after a year's leave of absence, resumes his work as head of the accounting division at the University of Kentucky.

L. T. Hawley is on leave of absence from the University of Alabama this year to head the division of research of the State Unemployment Compensation Commission.

M. S. Heath was granted a leave of absence from the University of North Carolina for the fall quarter of 1937 to continue his research on southern transportation history.

W. Braddock Hickman of Johns Hopkins University is instructor of economics at Princeton University.

W. T. Hicks has resigned at the University of Florida and is now associate economist for the United States Forest Service.

Byron Hill is an instructor of economics at Vanderbilt University.

Henry E. Hoagland, after serving three years on a six-year term as a member of the Federal Home Loan Bank Board, has returned to Ohio State University as professor of business finance.

R. V. Hobbah, formerly instructor of economics at the University of Pittsburgh, is instructor of economics at the University of Maine.

S. H. Hobbs, Jr., of the University of North Carolina, has been appointed a member of the Commission to study homestead exemption and tax classification for the next legislature.

B. B. Holder has been appointed assistant professor of economics at Westminster College.

Paul T. Homan is absent on leave from Cornell University for the academic year 1937-38.

M. H. Hornbeak has been promoted from instructor to assistant professor of business administration at Louisiana State University.

Donald C. Horton is on leave of absence from his position in the Bureau of Agricultural Economics, having been appointed assistant professor of economics at Brown University for the present year.

Warren S. Hunsberger has been appointed instructor of economics at Princeton University.

Watrous H. Irons has been appointed assistant professor of business administration in the University of Texas.

F. Cyril James has been granted a leave of absence from the University of Pennsylvania for the academic year 1937-38. He is associated with the First National Bank of Chicago, directing a study of the development of the Chicago money market over the last hundred years.

Vernon H. Jensen, formerly of the University of California, is instructor of economics at the University of Colorado, to take the place of Professor J. S. Johnson.

Alvin S. Johnson, director of the New School for Social Research, has accepted the position of professor of economics and director of the division of general studies in the Yale University Graduate School, succeeding the late Dr. Edward S. Robinson.

E. A. J. Johnson, formerly of Cornell University, is professor of economics in the School of Commerce, Accounts, and Finance, in the Graduate School of Liberal Arts, and in the Graduate School of Business Administration of New York University.

J. S. Johnson has resigned as professor in the department of economics at the University of Colorado to continue in government work.

J. A. Johnston, head of the department of accounting at the University of Utah, has returned from a year's leave of absence at the University of California.

Robert L. Kane, Jr., is instructor of accounting in the College of Business Administration at the University of Arkansas.

Donald L. Kemmerer resigned his position as instructor at Lehigh University to accept a position as associate in economics at the University of Illinois.

E. W. Kemmerer of Princeton University is giving a course of six lectures on money at the New School for Social Research in New York City.

Donald D. Kennedy of Clarkson College of Technology, Potsdam, New York, has accepted the position of professor of accounting at the School of Business Administration of the University of Newark.

Will F. Kissick, formerly of the University of Iowa, has been appointed instructor of economics at the Johnstown Center of the University of Pittsburgh.

C. E. Kuhlman is instructor in economics at the University of North Carolina.

Linda Lancaster, instructor of economics at the University of Texas, is on leave for the present academic year.

Ray V. Leffler has been appointed chairman of the economics department in Dartmouth College.

Richard A. Lester instructor in economics at Princeton University, has been granted leave for the first term of the present academic year in order to conduct courses at Haverford College during the absence of Professor F. W. Fetter.

J. Wayne Ley, a member of the legal staff of the Department of Agriculture, has returned to Ohio State University where he has been appointed to an assistant professorship in business organization.

R. H. Lounsbury has resigned his position at the University of Illinois to accept an appointment as professor of economics and head of the department of economics at Alfred University.

Samuel J. Lukens, instructor in commerce at the School of Business Administration, University of Pittsburgh, is spending this year with the Bureau of Industrial Relations at the University of Michigan.

George F. Luthringer of Princeton University is on leave of absence to serve as secretary and financial adviser of the Joint Preparatory Committee of American and Philippine Experts. He expects to resume his duties at Princeton in February.

Harley L. Lutz of Princeton University is a visiting professor of political science at the University of Pennsylvania.

Marion Lyndon has been appointed associate professor of retail merchandising at the University of Tennessee.

David A. McCabe of Princeton University is on leave of absence for the first term of the present academic year.

James R. McCoy has resigned his instructorship in accounting at the University of Iowa to accept a similar position at Ohio State University.

H. L. McCracken has been made head of the economics department at Louisiana State University.

J. B. McFerrin has been appointed assistant professor of economics at the University of Florida.

Frances McIntyre has resigned his position as instructor of economics at Stanford University to accept an appointment as research associate with the Cowles Commission for Research in Economics at Colorado Springs.

W. Heston McPherson, formerly of Cleveland College, Western Reserve University, has been appointed assistant professor of economics at Oberlin College.

Fritz Machlup of the University of Buffalo is visiting professor of economics at Cornell University, where he conducts a seminar in economic theory in addition to his usual program at the University of Buffalo.

Lewis K. Manhart has left the Graduate School of Ohio State University to become an assistant professor of business administration at Bowling Green State University

W. H. Mann is instructor in accounting at the University of Alabama.

Carl J. Martin is instructor in economics at Purdue University.

D. F. Martin is instructor in economics at the University of North Carolina.

James W. Martin, state commissioner of revenue of Kentucky, resumes his duties as director of the Bureau of Business Research at the University of Kentucky.

Edward S. Mason is on sabbatical leave from Harvard University during the first half of the present academic year.

Elizabeth May has returned to Goucher College as associate professor of economics after a year's leave of absence.

G. Roger Mayhill, graduate assistant at the University of Illinois, has been appointed instructor in economics at Purdue University.

Kenneth Middleton has been appointed assistant instructor in accounting and statistics at the University of Kansas.

Harry E. Miller is on a year's leave of absence from Brown University.

Broadus Mitchell of Johns Hopkins University conducted a small party of American students, teachers and social workers to England, Scandinavian countries and Russia.

T. A. Mogilnitsky, formerly of the University of Baltimore, has been appointed to the staff of the department of economics of Loyola University.

Burton R. Morley is on leave of absence from the University of Alabama to act as regional representative of the Unemployment Compensation Bureau of the Social Security Board for six southern states.

Harold G. Murphy of the University of Chicago has succeeded Maurice R. Brewster as assistant professor of marketing at Emory University.

Alfred C. Neal of the University of California has been appointed instructor in economics at Brown University.

W. A. Neiswanger, for the last year and a half associate director in a national research project with the WPA in coöperation with the National Bureau of Research, has accepted the position of assistant professor of economics at the University of Illinois.

James C. Nelson of the University of Richmond is associate professor of marketing and transportation at the University of Tennessee.

Arthur E. Nilsson, who has been on leave of absence to act as analyst for the Securities and Exchange Commission, has returned to his position as associate professor of economics at Oberlin College.

H. C. Nolen has been promoted to the rank of assistant professor of marketing at Ohio State University.

Russell M. Nolen, professor of economics at the Southern Illinois Teachers College, has resigned this position to accept one as an assistant professor in the University of Illinois.

Guy E. Noyes has been appointed an instructor in economics at Yale University.

Henry P. Oliver of the University of Mississippi is now instructor in economics at Duke University.

Edgar Z. Palmer of the University of Kentucky is serving as chief statistician of the Kentucky Unemployment Compensation Commission on a part-time basis.

Peter F. Palmer, who has been assistant professor at Whitman College for the past two years, has been appointed instructor in economics at the University of Illinois.

Elinor Pancoast, professor of economics at Goucher College, is on leave of absence for the autumn term.

Harold S. Patton, head of the department of economics at Michigan State College, has been granted a year's leave of absence to accept an appointment as assistant chief in the office of the adviser on international economic affairs in the Department of State at Washington.

William J. Phillips, Jr., is an assistant in the department of economics, School of Commerce, Accounts, and Finance of New York University for the year 1937-38.

M. O. Phillips of Washington and Lee University spent the summer in Washington with the Maritime Commission, aiding in a survey of American shipping.

Joseph C. Pillion has left the Graduate School of Ohio State University to become assistant professor of business organization at Miami University.

Cecil Puckett has been appointed assistant professor of commercial education at the School of Commerce of the University of Denver.

Claude E. Puffer, instructor in economics at the School of Business Administration, University of Pittsburgh, is spending this year in graduate work at Stanford University.

Roy Purvis has been appointed instructor in accounting at the University of Florida.

Lloyd B. Raisty of the School of Commerce, University of Georgia, has returned to his work after a leave in which he directed a WPA survey of the financial administration of counties in Georgia.

Robert E. Rapp has been appointed assistant professor of economics at the University of Texas.

B. U. Ratchford, assistant professor of economics at Duke University, has returned to his regular work after a year's sabbatical leave during which he was engaged in research on the subjects of taxation and public debts.

Harold L. Reed of Cornell University has been made chairman of the board of directors of the First National Bank of Ithaca.

J. E. Reeve, former instructor at the University of Chicago, is now instructor at Wayne University.

Alice Reynolds has been appointed instructor in economics at Goucher College for the autumn term.

Lloyd P. Rice has returned to Dartmouth College after spending a semester with the State Department, Washington, D.C.

William C. Robb has been appointed associate in economics at the University of Illinois, where he will give courses in labor.

Ross Robertson has been appointed assistant instructor in economics at the University of Kansas.

Charles J. Rohr of the University of Maine, has been appointed assistant professor of political economy in the department of economics at Massachusetts State College.

James A. Ross, formerly instructor in economics and tutor in the division of history, government and economics at Harvard University, is now assistant professor and head of the department of economics at Syracuse University.

Maurice O. Ross of Earlham College has been appointed associate professor of finance at the University of Tennessee.

Michael Sapir of the University of Chicago has been appointed to an instructorship in economics at Ohio State University.

Emerson P. Schmidt of the University of Minnesota, with his colleague, Dr. Warren C. Waite, is preparing the economic brief for Alberta to be submitted to the Canadian Royal Commission on Dominion-Provincial Relations.

Warren C. Scoville has been appointed instructor in economics at the University of Texas.

Earl R. Sikes is on leave from Dartmouth College during the first semester, when he plans to investigate economic policies and reform movements both in this country and abroad.

John J. Smith, instructor in the School of Commerce and Business Administration of the University of Alabama, has been appointed acting assistant professor of commerce at the University of Virginia for the academic session of 1937-38.

Nelson L. Smith, who has been on leave from Dartmouth College, has resigned this position to continue on the New Hampshire Public Service Commission.

A. J. Speer retired as state director of the reëmployment service and is acting professor in the department of economics at the University of Alabama.

Joseph J. Spengler of Duke University taught in the summer session at the University of North Carolina.

William R. Spriegel of Western Kentucky State Teachers College has been appointed to the faculty of Northwestern University School of Commerce as associate professor of industrial management.

W. Mackenzie Stevens has resigned from the faculty of Louisiana State University to become head of the department of economics and business administration at the University of Maryland.

Craig Stockdale has resigned his instructorship in economics at Ohio State University.

Paul J. Strayer is instructor in economics at Lehigh University.

Maurice A. Strickland has been appointed assistant in the department of economics of the School of Commerce, Accounts, and Finance of New York University for the year 1937-38.

Stephen B. Sweeney, associate professor in the Wharton School of Finance and Commerce, is acting director of the Institute of Local and State Government at the University of Pennsylvania.

Glenn W. Sutton has resumed his work as associate professor in the School of Commerce of the University of Georgia after a leave of absence during which he was director for the Southeast of a survey conducted by the United States Department of Labor Bureau of Labor Statistics, an inquiry into urban consumer purchases.

James H. Symons is assistant in the department of economics, School of Commerce, Accounts, and Finance of New York University for the year 1937-38.

Philip Taft has been appointed assistant professor of economics at Brown University and will teach labor problems and economic theory during the absence of Professor George E. Bigge.

Gerald Tallman of Northwestern University is an instructor in marketing at Massachusetts Institute of Technology.

W. Lou Tandy, formerly at the University of New Mexico, has accepted a position as professor of economics at Eureka College.

Fladger F. Tannery, instructor in business administration in the University of Texas, has been granted a leave of absence to serve as first assistant auditor of the State of Texas.

Lazare Teper of Johns Hopkins University is research director for the International Garment Workers Union in New York.

W. G. Thornborough, Jr., of Ohio State University has been appointed assistant professor of business organization at The Citadel.

Harold H. Thurlby, who served last year as acting associate professor of economics at Oberlin College, has accepted a position with the Export Division of the General Motors Corporation in New York.

John P. Troxell of Duke University is taking the place of Professor Watkins at New York University during the latter's leave of absence for the year.

Robert H. Tucker of Washington and Lee University has been appointed a member of the committee of the Virginia State Chamber of Commerce on the Virginia Tax Sytem.

H. Fabian Underhill of the Staff of Williams Institute has been appointed instructor in economics at the University of Illinois.

Arthur R. Upgren of the University of Minnesota served during the summer as economic consultant to the government of Manitoba, on a commission to investigate the Dominion-Provincial financial relationships.

R. S. Van de Woestyne formerly professor of economics and chairman of the department at Knox College, is lecturer in economics at the University of Chicago during the current academic year.

W. Allen Wallis has been appointed instructor in economics at Yale University.

Myron W. Watkins is spending a year's leave of absence from New York University at the Brookings Institution, making a study upon the general problem of the relation of government to industry.

Michael T. Wermel, formerly with the Social Security Board, has accepted an appointment in the department of economics at Brooklyn College.

Edmund Whittaker formerly of Natal University College, South Africa, has been appointed assistant professor of economics in the University of Illinois.

C. R. Whittlesey of Princeton University is conducting the courses in money and banking at the Wharton School, University of Pennsylvania, in the absence of Professor F. Cyril James.

R. S. Willcox has been promoted to an associate professor of accounting at Ohio State University.

Virgil Willit of Ohio State University has been promoted to the rank of associate professor of economics.

Theresa Wolfson, assistant professor of economics at Brooklyn College, taught in the Summer School for Office Workers at Northwestern University.

Coleman Woodbury, director of the National Association of Housing Officials and member of the Chicago Housing Authority, has been appointed to the faculty of Northwestern University School of Commerce.

Leo Day Woodworth has been appointed fiscal consultant to the Senate Special Committee on Investigation of Unemployment and Relief.

Charles Ashley Wright of Dartmouth College is an instructor in economics at Yale University.

Ivan Wright, on leave of absence from the University of Illinois, is lecturing in the department of economics, School of Commerce, Accounts, and Finance and in the Graduate School of Business Administration of New York University.

Paul H. Wueller has resigned as senior economic analyst with the Social Security Board to resume teaching duties at Pennsylvania State College. He will continue to serve the Board as consultant on state tax problems.

Herman Wyngarden is one of two temporary heads of the department of economics of Michigan State College during the absence of Dr. Harald S. Patton.

W. H. Wynne has been appointed taxation expert to the Canadian Royal Commission on Dominion-Provincial Relations.

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